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# ***Daily Report***

## ***Supplement***

# **East Europe**

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# East Europe SUPPLEMENT

JPRS-EER-93-086-S

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18 August 1993

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### **Social Democratic Union Attacks Government**

93BA1332C Belgrade POLITIKA in Serbo-Croatian  
22 Jul 93 p 6

[Article by R. Arsenic: "Analysis of 100 Days of Croatian Government: Horvat: Ruin of Croatia"]

[Text] *The loss of all our friends, the worsening of citizens' legal security, a further decline in the economy—these are the main results of the Valentic government, says the chairman of the SDU [Social Democratic Union].*

Zagreb, 21 Jun—The achievements of the fifth Croatian Government in a row (under the leadership of Nikica Valentic) over the past 100 days were the subject of today's press conference by the Social Democratic Union in Zagreb. Its chairman, Dr. Branko Horvat, provided this brief analysis of this government's results and scope:

"We have lost all our friends, including Slovenia, which recently froze our friendship agreement. Even Serbia has at least two friends (Greece and Russia), while Croatia has been left completely isolated in the world."

The next "result" of the government, according to Horvat, is that the legal security of the citizens has worsened, and human rights continue to be violated. Every week, for example, the SDU Committee for Human Rights witnesses forcible evictions of people from their apartments by military police and other agencies, and there are also public statements like the one by HDZ [Croatian Democratic Community] official Krpina, who said that antiwar activists should be shot in the back of the head.

The economy continues to decline, Horvat also noted, while the International Monetary Fund and World Bank have rejected loans for stabilization and development, which is a result of the policy being pursued by the current regime. The main failing of economic policy, Horvat emphasized, is the so-called transformation of social ownership. "Any lawyer should know—and Mr. Valentic went to law school—that nationalizing property means taking it away from its owners, the citizens of Croatia. Naturally, a state that is founded on dispossession cannot be particularly prosperous," says Horvat,

adding that besides all this there is the continuous threat of a new war, which in his opinion would spell the end of the Republic of Croatia.

"Everywhere in the democratic world such results by any government would be regarded as a national catastrophe, and the government would have to go at once. But that does not apply to the HDZ government," B. Horvat concluded.

Turning to current events in Bosnia-Herzegovina, Horvat said that "preparations have long been made for the partition of Bosnia-Herzegovina" and that Croatian President Tudjman "has said so to Carrington [former Conference on Yugoslavia chairman] several times."

A guest at today's SDU press conference was the vice chairman of the Party of Reformists of Bosnia-Herzegovina, Sejfudin Tokic, who talked about current conditions in that republic, blaming the leaders of the national parties for the present tragedy.

### **Orthodox Church Destroyed in Karlovac**

93BA1332D Belgrade POLITIKA in Serbo-Croatian  
22 Jul 93 p 6

[Article by R. Arsenic: "Two Days Ago in Karlovac: Orthodox Church Destroyed"]

[Text] *The church was not damaged by shells, which is the official story; rather, it was blown up, which has been confirmed by EC observers.*

Karlovac, 21 Jun—St. Nikola Orthodox Church in central Karlovac, a valuable historical and cultural monument built in the 18th century, was destroyed last night around 2200. According to the official version of the story published in today's daily newspapers, the previously seriously damaged church steeple "was destroyed in a deafening blast and huge cloud of dust," and caused by "vibrations from the latest chetnik bombardment of Karlovac."

Moreover, it is officially contended here that St. Nikola Church was "seriously damaged in the homeland war by projectiles from enemy positions," but it is known, as EC observers have confirmed, that this Orthodox church was actually blown up, which is supported by the damage to the structure, which goes down to its very foundations.

**Goncz on Russia, Role as Head of State**

93CH0870C Budapest BESZELO in Hungarian  
24 Jul 93 pp 6-8

[Interview with President of the Republic Arpad Goncz, by Ottília Solt and Ferenc Koszeg; place and date not given: "To Shout Across the Moat"]

[Text] *"Watch carefully whom you elect, and look how many times a person can switch sides," Arpad Goncz advises voters. After his return from Siberia and before his trip to Salzburg, the president told our paper about shamans conversing with gods, and politicians conversing with each other.*

[BESZELO] The situation of far-away Russian territories, left to their own devices after the breakup of the Soviet Union, seems rather complex from here. From the newspapers and television we learned the details of the Finno-Ugrian meeting. But right now, which state institutions picked out Volodya the hunter of all people, who sacrificed a reindeer in honor of the President of the Hungarian Republic? Five years ago it would have been beyond doubt that he was picked by the KGB. But what about now?

[Goncz] Ethnic councils are working everywhere. The current vice president of the autonomous Hanti-Vogul area is a Hanti himself. The trip went along the historical route of the Finno-Ugrian, or to be more exact, of the Ob-Ugrian peoples, and the peoples which live at the eastern and western foot of the Ural mountain. The deepest layer of this trip back in time was the visit with a Hanti family. From Hanti-Mansiysk we flew for an hour to the taiga. On the way back, very far away, I saw a derrick, and occasionally the straight line of the road in the swamp, because the region is one huge swamp. Approximately 7-8,000 people, about 300 families, live here on the taiga, in a circle with a diameter of 500 km. I was taken to Volodya perhaps because his summer dwelling was the closest. Reindeer ranchers don't drive the herd; they follow it. In the winter they generally live in a smaller circle, because the reindeer must trample down the snow to find the moss, while in the summer they live in a larger circle. The families have a summer, fall, and winter dwelling; at the summer dwelling, where we were, they have a sacred house standing on four legs, the protected place of the gods and of the stored food. We arrived there in two helicopters, which is not a small thing, but Volodya, this exceedingly kind man, is as dignified as independent peasants usually are, and he welcomed us in a self-assured way, as a host. He ceremoniously sacrificed a reindeer calf in our honor, he fed the magic steed with fire, and dried the shaman drum. In other words, about 3,000 years were talking back at us. And the most delightful thing was when he said that he never thought a head of state would ever visit him, so now he would show me the nest of the white wagtail. And he did; the baby birds were chattering in there.

[BESZELO] What language did you speak?

[Goncz] Russian. We spoke Russian to everyone. The truth is that as urbanization progresses, such a small group—the percentage of Hanti and Voguls is 0.5 and 0.9 percent of the autonomous region—is dissolving fast. In the city one practically cannot notice them. Those who go on to study will lose their way of life, and together with that, their identity. There is, for instance, an excellent Hanti painter, from whom I received three pictures; he is a person with an incredibly refined face and spirit. He never learned to paint; his greatest wish was a Csontvary album, which I have since sent him. Linguistically, he is no longer a Hanti, but he is a Hanti painter. This is the meaning of his life. He lives in Hanti-Mansiysk; this is a pretty small town of wooden houses which started to develop very strongly, because it is the center of huge oil deposits and a port. At the time we were there, a Finno-Ugrian cultural festival was under way in Hanti-Mansiysk, with groups preserving, or rather, living, their tradition. One group played the bear festival for hours to an audience standing around patiently. Contrary to equestrian people who dance below the waist, with motionless upper body, in this ancient dance the footwork is unimportant; the essential element is the movement of the upper body. I learned this there: They are pushing the spirit in front of them. The world of the spirits is still prevalent there today. We were on Komi land, in a shaman sanctuary. We went up there in gorgeous knee-deep grass, among enormous bluebells, where one is not allowed to tear off a leaf or break off a twig. They say that these sanctuaries are always in a place with some kind of a geologic irregularity, a difference in magnetism, or a strong underground streamlet, i.e., where weight relations are different, which can be demonstrated. People who went to the army came here first to pay homage, and asked the gods or spirits—I wouldn't know which—of the mountain, the forest, or the water, for help. They told me about an Afghani veteran who went to the sanctuary, was subsequently in mortal danger seven times, and was saved seven times. One must only ask the gods for good things. There are three stakes there; they tie the goose intended for a sacrifice to one of them. If it tries to fly, the gods accept the sacrifice. I poured my vodka into the fire, and it flamed up: The gods graciously accepted my sacrifice, as well. It may be that looking at it from Europe, all of this is strange; there, it is thrillingly true and authentic. Someone asked me how I feel about these ceremonies as a Christian. I told him that if there is one God, then that one includes the god of the mountain, the forest, and the water. I told the journalists to behave, because we are in a church, and that was the way I felt.

As we were continuing our way to southwest, we encountered another ancient tradition. In Bashkiria, people sang us the Hungarian folk song called "Spring winds make waters flood," followed by an at least 1,300 year old Bashkir variant of the same song; only a few notes were different. The origin of the Bashkir language is the same as that of the Cumans: Kipchak Turkic. In Tatarstan they showed us old Hungarian words written in Arabic letters on ninth-century gravestones. This was the

area of Magna Hungaria; the Hungarian tribes left there in the eighth century. The Turkic culture before the Russian conquest, the refined or overly refined court culture of the khanate, was not at all inferior to the culture of the great Muslim centers; on the contrary, it was perhaps even more colorful and forceful. The Turkic people living in this huge and rich area speak one language, or at least understand each other's dialects. Currently, the Russian republics are trying to increase their economic independence in hard bargains; minorities are natural allies of Jeltsin's reform policies.

[BESZELO] In the republics of the former Soviet Union ethnic wars are rampant. How stable do internal conditions appear in the Russian Confederation with its many nationalities? What do economic relations with distant areas promise?

[Gonc] With Tatarstan alone, the value of our mutual trade was \$200 million last year; this year, it will presumably reach \$400 million, and this is not the end of it. In Tatarstan, the land of the Bashkirs, every milk cow is of a Hungarian variety. Geese were introduced in the last two years. Hungarian geese. Last year, on 1,600 Hungarian acres [0.57 hectares or 1.42 English acres] they used the improved seeds of the Babolna state farm; the yield increased two-and-a-half-fold. This year, they sowed 16,000 Hungarian acres with seeds from Babolna. From Tatarstan, 2,000 people will come to Hungary to learn a trade. Bashkiria processes 45 percent of the crude oil produced in Russia. On Komi land, there are oil reserves in the billion tons. The opened coal reserves are also in the billion tons, and there is gold, manganese, titanium, and bauxite in the deep. The railway to Siberia goes through there, and it has a branch to Archangelsk; in other words, this area populated by 1,400,000 people has a huge economic potential. A very considerable part of Russian military industry is on Udmurt land. If the results of high-level production find their way into civilian economy, the development can be very dynamic.

Our visit to the Urals had at least as much economic as emotional significance. And it had a pinch of Julianic exploration, as well. Because Julian did not only search for our ancestors; he also looked where the Tatars lived. Of course, 14 days are too short for "exploration," because this country is incredibly large, and its reserves are unmeasurably large, as well. I have no yardstick to measure the situation in Russia, but I did not see any sign of disintegration; as we go further away from Moscow, the system of institutions seems more and more solid. However, the lack of means can be felt everywhere. The country is held together by infrastructure as if by a hoop; everything is threaded onto a few important railway lines and roads which connect the regions. Finished product manufacturing and the background industry are usually not within the same region. However, the manufacturing of finished products does not function without background industry; thus, it is in reality very difficult to cut the country apart, and I don't even see any willingness to do so. A Russian factory is not the size of a Hungarian one. I saw a factory which

had a nursery school, high school, and higher technical school; it prepares specialists for itself from nursery school on. Privatization as we know it is hardly possible there. So far, the system is functioning, but obviously one cannot impose so many social functions on the price of the products. Of course, I have no idea how income can be measured in view of such sizes and social burdens, or how one could switch over to another method. Bush asked me back then whether the Russians can utilize Hungarian experiences. I replied with a question: Does an elephant fit into a mousehole?

It would be very important for the West to realize what an important transit role Hungary could play, because it is open both to the west and the east. Our delegation was followed by an airplaneful of businessmen; 250 serious business negotiations were conducted, and deals were made in the millions right then and there. This two-week trip means at least 10,000 jobs for Hungary.

[BESZELO] This trip to the east, the visit to cultic sights, is followed by a trip to the west, to Salzburg.

[Gonc] Salzburg is also a cultic place. I consider it an honor to be able to open the festival, because my immediate predecessors were Havel and the Dalai Lama. The occasion presented itself because this year modern Hungarian music will be the focus of the festival. The Cantata Profana, Psalmus Hungaricus, and numerous works by Ligeti and Kurtag will be played. In my opening address, I will speak about Bartok, Kodaly, Ligeti, and Kurtag.

[BESZELO] It is not customary for a president to write an essay on music. It is an Eastern European, Central European phenomenon for creative intellectuals to become politicians, or even heads of state.

[Gonc] In these parts of the world, politicians have been the technicians of politics, who learned how to transplant orders into reality, into everyday life. The system of institutions worked; moreover, it worked best when the dictatorship was the least harsh. But this was not politics in today's sense of the word, that is to say, not the coordination of interests, but rather the representation of one interest. Under such circumstances it was the intellectuals, educated people, who kept their fingers on the pulse of the weekdays, and were able to explain social reality, if not to others, then to themselves. In Salzburg I will meet Klestil, Weizsacker, and Havel; strangely enough, the roles of us four are getting closer to each other. The President of Austria, Klestil, expressed this very clearly. I usually say that from the citadel of politics, one tries to shout across the moat, to society camping under the walls. As clearly as possible. Havel does the same, Weizsacker, too, and Klestil, as well. This role is not laid down in any constitutional stipulation, but it seems that this is what is needed today. Obviously it is also a consequence of the disintegration of the earlier world that politics is not always abreast of reality, and necessity forces the president to pay attention outside, to the forces under the walls of the citadel.

[BESZELO] Why are other politicians not able to do so?

[Goncz] Because they are talking to each other. I must admit that I follow with great interest the bargains among the parties about what will happen. They are disregarding one thing only: the voter. But it is not the parties which will elect each other; the voters will elect the parties. Some of them. I am convinced that the next election will be won by those who conduct the least negative campaign. And those who know Hungarian reality the best. Who can say, responsibly, what people will understand and recognize as their own. Because politicians can talk about a portfolio, but no one understands the meaning of the word "portfolio." A jargon of politics has evolved, and the country, the Hungarian-speaking majority, has nothing at all to do with this jargon.

[BESZELO] Earlier, the leaders of Hungarian politics did not approve of the fact that due to his rights and personality, the president plays a creative role in the formation of politics. It seems that the relationship has somewhat mellowed.

[Goncz] Between the head of state and the government? At the moment there is no battle. My intention continues to be that if I deem something doubtful in terms of constitutional law, I will ask for the opinion of the Constitutional Court. Whether their decision is correct or not, interpretation is their task. It is possible that the significance of the Constitutional Court will decrease some time in the future, but today it is very large. It plays a decidedly political role, just as I do in my narrow competence. First of all, that I can speak up about one thing or another without being bound by party interests, always being careful not to criticize government measures. I regard the relationship between social reality and politics on a different plane than the government and the parties. If there are some people who are not happy about this, I cannot help it.

As far as one can tell, next year there will be an election. I couldn't tell whether what is going on now is a campaign already, or not yet. If I knew, I would probably have said something already. When I do have to say something, I will tell people to watch whom they are voting for, because every country has the government and parliament it deserves. Let them look at how many times someone can switch sides, because in my opinion, more than two times is already impolite, and very suspicious. Moreover, let them look at how someone has served the community in the past 40 years, or in the past three or four years, and whether he made his pile in the process. People can see this from close up. Let them also look at whether he keeps things in order. By order I mean here the broadest sense of the word, according to which morality is indivisible; there is no separate political morality, intellectual morality, and separate morality for the family. Everyone should decide what he considers to be morality, and the voter decides, too, whether the behavior of the individual conforms to his norms. People's judgment is pretty certain, on the whole. Finally,

they should not be afraid, because today there is only one way of putting an end to being afraid of someone: To vote the person out of political life. If people are afraid of someone, and still leave him in his place, the voters deserve him.

[BESZELO] The will of the voters can remove the government. But the outside environment limits the political possibilities of every government. How does the head of state who travels a lot and welcomes many foreign politicians, see Hungary's situation in the world?

[Goncz] The possibilities of Hungarian politics and Hungarian economy are primarily determined by the West and Western market economy. But the Eastern market is also very significant, where we still have a place with our products. As far as possible, we should renew this market, because we cannot allow our trade to become unilateral again. I am certain that in 10-15 years the incredibly rich Russia and the Ukraine will regain their importance in the world's economy. Moreover, it will be increased. The process of our integration into Europe must be completed by then; we must finally drop anchor on the Western side, before another historical kick chases us back to the other side. Priorities and possibilities are dictated by the map and by history; we recognized this fairly accurately, and it was a harsh lesson. However, from this it does not follow that old reflexes are not alive and do not work. The suspicions of the neighboring countries are also governed by old reflexes. It is very difficult to do politics, foreign policy, if one cannot empathize with the other side's, the partner's, thoughts and cast of mind. One of the basic prerequisites for politics is the ability for empathy. Of course, not only Hungary, not only the region must acquire this ability, but also European and Western politics. After the end of the cold war, after the collapse of 20 percent of the world's economy, a lot depends on the extent to which Europe realizes its long-term interests, and the extent to which it will subordinate its momentary interests determined by increasing unemployment and deteriorating economy to its long-term interests which are of strategic importance. The integration and modernization of this east-central European market of a hundred million people would be much cheaper today than, say, in 10 years. Today and tomorrow, one only needs an over-the-counter medicine, but the day after tomorrow, a heart transplant will be necessary.

#### \* Changes in Legislature, Election Rules Proposed

##### \* Bicameral Legislature

93CH0904A Budapest NEPSZABADSAG in Hungarian  
15 Jul 93 p 4

[Article by S. A.: "Is There Going To Be a Bicameral Parliament?"]

[Text] The next step in constitutional development may be the establishment of a bicameral parliamentary

system, according to head of government Jozsef Antall the other day, in a statement concerning the planned move of the Office of the Prime Minister. In that case, the old upper house part of the parliament building would once again serve its original purpose, according to Antall.

In recent months, several experts have expressed their views regarding a bicameral parliament. Laszlo Salamon, the chairman of the National Assembly Committee on the Constitution said that one should ponder whether it would be more appropriate to have a bicameral parliament instead of a unicameral parliament. MDF [Hungarian Democratic Forum] Representative Salamon believes that interest groups, universities, and representatives of the Hungarian Academy of Science could be accommodated in a bicameral parliament.

Independent Lawyers' Forum president Vilmos Meszaros also urges the establishment of a bicameral parliament. He said that they intended to develop a new draft constitution within a year or a year and a half, providing for a bicameral parliament. Meszaros believes that this change in the Constitution would result in an electoral system that is different from what we have today.

The idea of having a bicameral parliament has already been raised prior to the system change. The constitutional law group within the Ministry of Justice had prepared a legislative proposal to that effect as of 8 May 1990. That proposal had called for a parliament composed of a house of representatives and an upper house. The house of representatives would have had between 250 and 300 members, while the upper house would have had 100-120 members, according to the plan. Under this plan, members of the lower house would be elected directly by voters casting secret ballots, while the upper house would consist of elected representatives of regional municipal governments, public bodies, national and ethnic minorities, churches and religious denominations. The plan was preserved on paper only.

#### \* Single Round of Elections

93CH0904B Budapest NEPSZABADSAG in Hungarian  
16 Jul 93 p 1

[Article by Andras Sereg: "Single Round of Slate Voting?"]

[Text] NEPSZABADSAG has learned that parliament is going to debate an administration proposal to amend the election law in September. The proposal includes a provision according to which "only one round of elections would be held in regional voting districts."

Based on the proposed amendments the number of representatives seated in parliament would increase from 386 to 399. Of these 176 would be elected from individual voting districts, while 152 would be chosen from regional party slates, and from a minority slate. An additional 72 seats would be filled from national party

slates combining candidates from throughout the country, who did not acquire mandates in individual voting districts or on regional slates. The number of representatives would increase by 13, the same as the number of mandates provided for the law on minorities.

Hungarian citizens living abroad, with residences in Hungary could exercise all rights to which citizens were entitled both as voters and as persons eligible to be elected for public offices. Hungarian citizens not having residences in Hungary could be elected as members of parliament only if they agreed to return to Hungary.

According to government experts, the group of persons residing abroad and eligible to vote could be accurately defined: these include diplomats on foreign assignments, employees on duty abroad for an extended period of time as well as their adult family members, and Hungarian citizens who have settled in other countries for historical reasons. Further, persons temporarily staying abroad may also be included in this group, provided that such persons registered to vote in Hungary. The proposal calls for the establishment of at least three voting districts per continent for Hungarian voters residing abroad.

Votes for regional slates would be cast in a single round of elections. In the framework of slate voting, the threshold limit of 50 percent [voter participation] validating such elections would be reduced to 25 percent. If less than 25 percent of the voters cast ballots in a regional voting districts, the votes would be added as fractions as votes cast for the national slate, and the county (Budapest) mandates not filled would be distributed from the national slate.

#### \* Editorial on Agents, Abuse of Power, Inaction

93CH0849A Budapest BESZELO in Hungarian  
17 Jul 93 p 3

[Editorial by "-szeg": "Agents and Shackles"]

[Text] Concerning agents who used to exist, and still exist, let there be silence, we would like to say, following in the footsteps of King Kalman. We are tired of them, we had enough of them. In 1990, we were aware of much fewer details, but we still knew exactly what was what. We knew that the agent, the No. "3/3 [as published]," is not a key element, not a demon of the past regime, only a—pathetic or pitiful—small cogwheel. An agent bill is necessary not to punish the agents, but to prevent individuals whose real past cannot be known and who can be blackmailed with their past from occupying important, and especially elected, offices. It is not the agents one should punish and call to task publicly, but rather those who, abusing their power, committed crimes. This is how simple it seemed back then, at the beginning of the change of regime.

Later it turned out that no one can be called to task. It would be easy to say now that it was because of the opposition, or because of the constitutional court. But in

fact, no one in the government really wanted a day of reckoning, either. Those who kept the state debt a secret, those who high-handedly continued to build the dam in Nagymaros, were not called to task, even though the opposition demanded an investigation in these matters, but neither were the helpers of the terrorist Carlos. Police officers under whose leadership demonstrators were assaulted were not called to task, and the responsibility of border guards was also not questioned, even though people were shot to death not only at the Berlin wall, but also at the Hungarian border, 12 to be exact, within the statute of limitation.

All right, so this is the price of the constitutional revolution. And because the identity of those responsible remained unknown, the agents who were exposed (or rather, delivered by the prime minister) became a kind of spectacle; they became martyrs for their followers, and a Loch Ness monster for the larger public.

We were able to hear an astonishing interview on last week's 168 ORA. A woman, Eva Endrodi by name, talked about her months in the Kistarcsa internment camp. About the anonymous squealer who reported a remark by one of the prisoners about the inedible food. The grumbler was shackled; after an hour and a half, she could not walk, and could not move her arms. The reporter asked her about the squealer, because the program was about informers and agents. The shackles appeared as a natural force, as it were, shackles "an sich [as published]." But someone had to put them on the prisoner, someone had to include them among the customary means of discipline, or had to turn a blind eye to their irregular use. And the person who ordered or allowed them also had a commander, and the commander also had superiors; they were all standing next to the shackled woman. Because it is not true that Himmler did not know what Mengele was doing, and Hitler did not know what Himmler was doing. Everyone knew everything, up to the leaders and down to the railway workers coupling the cars. And to the journalists who wrote that the enemies of the people's rule were disciplined with a strong hand.

Let us finally admit: It caused inconceivable damage that, just as after 1945, confrontation with the past was again overwhelmed by daily politics. Just as every person with a sane judgment then turned against the enraged lynching spirit which suspected fascists everywhere, fine society today is equally disgusted by the shaking of fists by those eager to do justice. And society can again soothe itself with the delusion that no one is responsible for anything, all evil was committed by "the Germans" and "the Russians," or, if need be, by "the fascists" and "the state security." And of course by the shackles. At the very most, the agents have names.

No one must answer for anything. The shackles in Kerepestarcsa happened a long time ago. The dispersal of the crowd on the Chain bridge also happened a long time ago, and no one was seriously hurt. At the police station in district 9, four policemen beat up and kicked a

Chinese youth. No one is responsible for that, either. Who knows who did it, there are so many policemen there.... And this was also a long time ago. More than a year ago, already.

#### \* EC Market Access for Products Improved

93CH0870A Budapest FIGYELO in Hungarian  
22 Jul 93 p 13

[Unattributed article: "EC Benefits"]

[Text] Last week, representatives of Hungary and the EC commission signed the protocol according to which Hungary will be granted certain benefits concerning tariff breakdown and tariff skimming earlier than anticipated by the EC association agreement.

Based on an EC proposal, the issue of improving the chances of Hungarian exports on the EC market was raised at the session of the Hungarian-EC joint commission. And the Copenhagen summit of 21-22 June fixed the benefits—perhaps varying from country to country—concerning each associated country. The protocol signed now, the ratification of which will take some time, contains the benefits which the EC unilaterally granted by the EC to Hungary. In the ministry of heavy industry, engineering industry, and metallurgical industry [NGKM], the accelerated breakdown of tariffs on certain industrial products with sensitive quotas is considered to be very important. (If only because approximately one-half of Hungarian exports belongs to the sensitive category and was subject to some restrictions.) According to the agreement, the export of footwear, light bulbs, buses, and automobiles into the EC will be completely exempt from tariffs as of 31 December 1994. One year earlier than planned, by 31 December 1996, the exports of Hungarian textiles and garment products will become completely exempt from tariffs. In the case of products subject to tariff quotas and tariff ceilings, the acceleration of the pace is also important because if quotas are exceeded, higher tariffs apply. (Approximately 40 percent of the textile and garment imports of the EC countries are subject to quotas today.) It is a fact that last year the export of textiles and garments to the EC increased by 60 percent, due to commission work. (However, in the first five months of this year, it decreased by almost the same amount.)

In the steel industry, Hungary requested the acceleration of the timetable for breaking down tariffs on products affected by the ESZAK treaty [expansion unknown]. In this branch of industry, the EC restricts imports primarily through voluntary import restraining measures. With the association agreement, this form of restriction was removed in reference to Hungary. And based on the agreement just signed, tariffs on steel products will be completely abolished by 31 December 1995. True, in 1992 it was primarily the export of products formerly subject to voluntary restrictions which increased the fastest, still it seems that Hungarian steel industry—and, of course, not only the steel industry—is calling not so



much for new foreign markets, but rather for the protection of the domestic market. From the statement about the signing of the protocol it is not clear whether in reciprocation Hungary also must move products, and if so, which ones, from the normal and slow tariff breakdown list to the acceleration list, and whether Hungarian manufacturers will be able to utilize the more advantageous terms of appearing on the market. According to surveys by the NGKM, in 1992 industry only had access to \$60 million additional return from sales out of the \$120 million which could have been achieved due to the agreement.

The fact that the tariff and skimming benefits became effective as early as 1 July 1993, instead of 1 January 1994, means the expansion of concessions to products of Hungarian agriculture and food industry. According to experience, due to the nature of the EC system of skimming, the greater portion of benefits found its way not to the Hungarian exporter's pocket—at least not yet—but to the importer's. However, the main question is what all this is worth in the present state of Hungarian agriculture.

#### **\* Role, Policies of Industry Ministry Discussed**

*93CH0836C Budapest FIGYELO in Hungarian  
1 Jul 93 p 11*

[Interview with Gabor Gulacsi, deputy state secretary at the Ministry of Industry, by G.S.; place and date not given: "The Ministry of Industry and Trade Does Not Belong to Large Enterprises"]

[Text] *Since September 1990, Gabor Gulacsi, a deputy state secretary at the Ministry of Industry and Trade, has been responsible for economics and administration. Recently, also business development has been added to his area of responsibility. An economist by profession, he had worked at the Institute of National Economic Planning between 1981 and 1988. He came to the IKM [Ministry of Industry and Trade] after a stint at the Ministry of Transport and Communications. Implementation of the medium-range concept of industrial policy has led also to organizational changes, including the establishment of the Main Department of Economics and Business Development and the broadening of its purview. The IKM wants to be the ministry not just of the large enterprises, but of every business as well, Gabor Gulacsi says. He and his staff intend to take part in carrying out every government responsibility related to business development. The expected abolition of the OKFI [National Small-Business Development Office] also ties in with this (see FIGYELO, No. 25/1993).*

[G.S.] The government is being criticized also for just paying lip service to being business-friendly. What will change in that respect now?

[Gulacsi] Small and medium-sized businesses are competing at a disadvantage from the very beginning, and it is the government's responsibility to offset their disadvantages as much as possible. Much has been done on

their behalf also up to now, but mostly in the form of isolated programs (such as international aid, loans on favorable conditions, and the institution of credit guarantees, for instance). Therefore, these programs are not integrated into a transparent system. The situation has been aggravated by the inability of the advocates of business development to agree among themselves, and also by the fact that the enactment of statutory regulations that meet the market economy's needs is very time-consuming.

[G.S.] Entrepreneurs increasingly expect the IKM to also protect domestic industries.

[Gulacsi] A growing demand for the protection of domestic industries has been perceptible since the middle of 1991. Its causes are twofold: In part, the collapse of our Eastern market and the shrinking of domestic demand. And in part, especially since the second half of 1992, the protectionist tendency on the part of the EC, the effects of which are being felt increasingly.

[G.S.] What is the IKM able to do against that? What tools does it have at its disposal?

[Gulacsi] The IKM has been managing two bigger "packages" during the past three years. Before the conclusion of our Europe Agreement with the EC, we proposed raising the tariff rates on 20 products (including color TV sets), and in February 1992 we interceded with the EC in the matter of raising the duties on 18 products. The tools for market protection are intended to be in effect for a year or two, and temporarily the enterprises expect mostly such protection of us, but here our scope is more limited. In the case of dumping charges, for example, we would have to prove that the foreign competitors are receiving price subsidies at home (up to now we have been unable to prove this). Proving market disruption has been somewhat more successful: in four or five cases out of ten it has resulted in the imposition of market-protection measures (in the case of cement and of artificial fertilizers, for instance) or has made an agreement of self-restraint possible (as with our Czech partners in the case of iron and steel products). In proceeding for market protection, the IKM will support the producers' initiatives also in the future. In addition, we will strive to take advantage also of the opportunities that structural market protection offers, and we will strive to make better use than up to now of the tools for consumer protection as well.

#### **\* Central Bank To Support Government's Economic Policy**

*93CH0836D Budapest FIGYELO in Hungarian  
8 Jul 93 pp 18-19*

[Interview with Peter Akos Bod, president of the Hungarian National Bank, by FIGYELO editor in chief Dr. Gyorgy Varga; place and date not given: "The Janus-Faced Central Bank"]

[Text] [Varga] From the viewpoint of monetary policy, the most problematic is the central bank's attitude to the state budget or, more accurately, to the state budget's growing deficit. The MNB [Hungarian National Bank], it seems, is not really speaking out in the interest of preserving the forint's value, and is not opposing firmly enough the state budget's growing deficit. What do you say to that?

[Bod] To maintain the value of the national currency is the central bank's primary responsibility. At the same time, the MNB must support the government's economic policy. Should a conflict arise between the government's fiscal policy and the central bank's monetary policy, the MNB could appeal to the public.

[Varga] Up to now the central bank has never exercised that option.

[Bod] Differences of opinion do arise from time to time. But the president of the MNB attends the economic cabinet's meetings. Even without involving the public, in other words, he does have a regular opportunity to present our standpoint on the government's economic policy or the state budget.

[Varga] Sir, don't you think that it would be desirable—also in the interest of clarifying unambiguously the division of labor between the government and the central bank, and the sharing of political responsibility between them—to formulate the central bank's standpoint, in a way that also the business sphere is able to understand, on such highly controversial issues as the supplementary budget, for instance?

[Bod] I advocate the central bank's standpoint, within the government and in the cabinet as well. The MNB also played a role in that an agreement with the International Monetary Fund has become one of the government's strategic objectives. Which means that the 1994 budget will reflect also the wishes of a highly prestigious lender who is also very important to us; and it will do so despite the fact that this period in the electoral cycle could have warranted also a budget stemming from an entirely different logic. Admittedly, the central bank's pronouncements regarding the feasibility of financing the budget deficit have been optimistic, because up to now the rising budget deficits during the past three years have not jeopardized the objectives of monetary policy.

And another thing: For the central bank to be able to adopt a standpoint on the 1994 budget, it would have had to form a more accurate picture also of the development of personal savings, as well as of the economy's nonmonetary processes and interrelations. I must admit that now, at the time of this interview, we do not yet have reliable information at our disposal.

The statistics describing the economic processes are very unreliable, and unsuitable to serve as the basis of forming well-founded standpoints. At its latest meeting, even the central bank's board was unable to adopt a standpoint on, for instance, the extent of the budget

deficit's displacement effect, how it influences rising interest rates, and how the higher interest rates affect the propensity to save.

[Varga] The MNB is carrying on its books, at zero interest, an amount that can be estimated as being somewhere between 900 and 1,000 billion forints. It is owed by the state budget and stems from exchange-rate losses. Do you see any way the bank could rid itself of this heavy burden?

[Bod] Professional debates and reconciliation efforts are in progress with the Ministry of Finance on settling the earlier [internal] national debt and the so-called zero-interest debt. We are proposing the conversion of such debt into government securities that would pay interest at the prevailing market rate.

[Varga] Earlier you said that the MNB must support the government's economic policy. But this policy, to put it mildly, is not consistent. It is an economic policy that is tossing and turning between the alternatives of external or internal equilibrium, and of stabilization or growth, and is partially motivated by power interests. Under these conditions, how is the central bank able to pursue a policy that is at all consistent and steadfast?

[Bod] The MNB supports specific economic-policy programs, such as loans to small businesses, the strengthening of our ability to export, or privatization. There have been shifts in the government's economic policy. Thus, emphasis at first was on external equilibrium, and then curbing inflation became the main objective, and now the debate is on the requirements for growth. I wish to add that the reason why GDP fell during the past three years was not because the government did not regard growth as important. And if there is any growth in 1994, it will not be due to the government's intention. All this is a result of the economy's organic development. The 1994 budget is reassuring in this respect, because neither its revenue side nor its expenditure side contains any items whose purpose would be to force economic growth.

[Varga] Nevertheless, the MNB does play a role in shaping, manipulating the money market, in a way that keeps the state's debt-servicing costs as low as possible. Among other things, the pressure exerted on interest rates, and the "recommendations" that the banks buy government debt instruments, serve this purpose. Even prominent foreign newspapers have mentioned this.

[Bod] Pushing down interest rates commensurately with the rate of inflation has been intentional on the central bank's part. In that you are right. But I do not agree that behind this there is the rendering of a service to the state budget. That is my message also to the foreign newspapers. The Hungarian banking system responded with considerable delay to the inflation rate's decline. The banks really responded only in the second half of 1992, and only by lowering the interest rates on deposits. The interest rates on loans began to fall only at the beginning of 1993. Thus the bank margin between the average

interest rate on deposits and the average interest rate on loans is about 11 percentage points.

The banks are buying government debt instruments because they are unable to lend their money to the business sphere. Nobody should think that these banks could be forced to buy government debt instruments. Ours is an already functioning money market, though it might function ambiguously. And it is no longer possible to resort to force against this market.

[Varga] But it can be manipulated. A distorted capital market, dominated by government debt instruments, has developed; and it is not channeling resources into the real economy.

[Bod] The borrowers that can come into consideration pose a high business risk, and the banks are devoting much closer attention to risk now than they did in the past. Because of this, they are extremely cautious in their lending, and willing to buy risk-free government debt instruments without any arm-twisting. In a recovering economy with brighter profit prospects, their lending would be quite different.

[Varga] The interest rates on deposits are at a dangerously low level. The real interest rate is around - 8 percent [as published], which is hardly enough to maintain the households' propensity to save at its earlier level. This could cause shifts in the present structure of savings, and the weak propensity to invest could divert disposable income to spending. Is this a realistic assumption?

[Bod] It is realistic, but what we are dealing with is a temporary situation. It is inconceivable that the real interest rate will remain permanently negative. I think that practice will correct this situation. It is true that some commercial banks stepped on the brake too hard and lowered their interest rate on deposits too far, instead of widening their circle of customers. On the basis of the statistics available to date, I am unable to confirm the assumption that household are spending a larger share of their income on consumption. At the same time export is declining, and output is stagnating or rather rising. Therefore, the statistical data are not consistent. To this I might add that borrowing by businesses has increased, albeit slowly; the rate of rise correspond to an annual rate of 5 to 10 percent. Perspicacity in this system of interrelations would be desirable also from the viewpoint of what strategy the central bank should follow. The central bank certainly must pursue a different policy when savings are fueling consumption, and again a different one when savings are reviving the investment market.

[Varga] The banks often complain about the central bank's sudden interventions in the money market, and about their lack of opportunity to consult with the central bank.

[Bod] I will concede that the criticism about the lack of opportunity for consultations is justified. The old bank

board was able to function as long as there were only a handful of commercial banks in the country. But today there are 40 banks, and therefore the old forum for consultations could hardly be functional today. We will have to find some other form.

[Varga] To our knowledge, the MNB's function as the central bank becomes entangled even today with its commercial-bank functions. Do you agree?

[Bod] I admit that it is difficult to make these two contrasting aspects disappear. But this is a result of operations not so much in the domestic money market as in the foreign ones. But the central bank may seem a Janus-faced institution also because it places and manages a huge volume of government debt instruments in the money and the capital markets, respectively. And it follows from this situation that the MNB is an institution with two distinct aspects.

[Varga] The fact that HIB [Hungarian International Bank Limited], the London subsidiary of the MNB, has opened an agency in Budapest reinforces the central bank's commercial-bank aspect. Why has HIB opened an agency here?

[Bod] The Budapest agency of HIB is not competing with the commercial banks. Being an agency, it cannot obtain a bank license. Unfortunately, what the HIB knows how to do, most Hungarian banks are not yet able to do. HIB is more likely to offer competition to some of the international joint-venture banks operating here. An improvement of banking services is in the national economy's interest.

[Varga] In a statement you gave FIGYELO a year ago, you proposed that the interest earned on foreign-exchange deposits and forint deposits be taxed equally. Mihaly Kupa, the finance minister at the time, strongly opposed that. And now Ivan Szabo is supporting your proposal just as strongly. At the same time, some banks are of the opinion that it would be a mistake to tax the interest earned on foreign-exchange deposits, and one bank has even offered to assume its depositors' tax burden. In short, the matter remains in the center of controversy.

[Bod] I retain even today my standpoint that incomes from interest earned on foreign-exchange and forint deposits, respectively, ought to be taxed equally. The gist of my proposal is to lower, rather than raise, the tax rate on interest income earned on deposits. In other words, the interest earned on foreign-exchange or forint deposits would be taxed uniformly at a rate of, say, 10 percent. That would not only compensate depositors for the tax on the interest their foreign-exchange accounts earn, but would result in a lighter tax burden overall. All this should be done in spite of the fact that the state budget is coping with serious revenue problems. There is a debate on this between the government and the central bank. Hopefully the government will realize that this step must be taken in the interest of maintaining the propensity to save, even at the price of a slight drop—but

only presumably—in total foreign-exchange deposits. Incidentally, a 10-percent tax rate on foreign-exchange interest would not be significant; therefore I would not be surprised if some banks, for reasons of their business policy, would take over this tax burden from their depositors.

[Varga] The country's external payments situation has deteriorated considerably. In February of this year, the balance on current account worsened by \$700 million over December. How do you assess this situation?

[Bod] I would like to remind you that in 1990-92 we had expected deficits in our balance on current account, but ended up with surpluses instead. In other words, those surpluses were not intentional. Export began to fall in the second half of last year, and the merchandise balance's deficit began to rise. And that, of course, led to a deficit also in the balance on current account.

Hungary is the most open country in the region. Consequently, it is also the most sensitive to business-cycle changes. Our principal markets are in deep recessions, and the growing deficit of our balance on current account reflects also that fact. Fortunately, the situation is not critical, because foreign direct investment in the two previous months of 1993 was \$160 million, matching the amount in the same two months a year ago. The composition of our reserves is favorable and their level now, in July, is higher than it was at the end of last year.

[Varga] Does the MNB have any forecasts of what outflows of capital may eventually occur, in the form of repatriated profits from foreign direct investment?

[Bod] It is difficult to answer the question whether, several years from now, there could be a mass repatriation of profits from foreign direct investment. If that were to happen today, it certainly would cause a shock. But several years from now, I hope, such repatriation of capital will not create difficulties, provided that foreign direct investment truly contributes toward increasing Hungary's export potential.

[Varga] Reverting to the fall in export, the NGKM [Ministry of International Economic Relations] and several economic research institutes are unanimous in their condemnation of the central bank's exchange-rate policy, which lagged behind the economic processes in the third and fourth quarters of 1992. Can a radical change be expected in exchange-rate policy?

[Bod] This is a topic of debate between the government and the central bank. In my opinion, a central bank must give absolute priority to fighting inflation. Not for doctrinaire reasons, but because social, economic-policy and business-administration interests demand it. Of course, the fall in Hungarian export is a good argument against

the moderate-revaluation policy of the MNB. I admit that all this might create problems for exporters from time to time. But what happened in the first four or five months of 1993 can be attributed primarily to the more limited supply of goods for export, and mainly to the shortage of stocks of agricultural products. Depreciation at a greater rate than up to now would not have remedied this situation. The situation is similar in those industries where there is no demand for Hungarian products. What is needed there is a change of markets and a change of products, and not devaluation. One more comment: our debating partners practically mention only export. But exchange-rate policy must take into consideration also the preservation of the value of foreign direct investment.

[Varga] Hungarian bankers resent being at a disadvantage in competing with the international joint-venture banks operating here. In your opinion, is it warranted to accede to the demands for competition-neutrality?

[Bod] I agree that, after the expiration of the so-called grace period, the conditions under which the Hungarian banks and the joint-venture banks operate ought to be identical. But it is not easy to change the commitments made earlier.

[Varga] There is considerable change in the banks' governing bodies. Stability is lacking, and that hampers shaping the banks' long-term business policies. Ethical problems also abound, because senior bank officials are going over, or are being transferred, from one bank to another. The state as owner appears to be insensitive to these problems, just as it is failing to respond to the charges in the press against the senior managers of Magyar Hitel Bank [Hungarian Credit Bank]. But why is the MNB so shy in these matters?

[Bod] The selection or election of the banks' governing bodies and senior managers is not within the purview of the MNB. In the present system of institutions it is unclear who is responsible for the banking system's operation. Because that responsibility is divided among the minister overseeing the AV Rt. [State Property Management Corporation], the head of the Inspectorate of Banking, the minister of finance, and the president of the MNB.

[Varga] But failure to regulate this responsibility and the resulting ethical problems could undermine confidence in the banks.

[Bod] I understand your concern. There are truly important interests associated with stabilizing the banks' managements. But that is not the central bank's tasks. Once the Chamber of Banks is in place, it would be able to draft a code of ethics. But the bulk of the tasks really falls on the owner.

**\* Economic Benefits of Military Innovations Cited**

93EP0320A Poznan PRZEGLAD WOJSK  
LOTNICZYCH I WOJSK OBRONY POWIETRZNEJ  
KRAJU in Polish No 6, Jun 1993 pp 58-62

[Article by Col. Jerzy Szymakiewicz (Res.): "Economic Benefits of Innovations"]

[Text] An innovation is something new and positive that changes for the better a situation or operation—that is, not just something different but a change of something in a manner clearly meeting identified needs.

The needs of units and commands in the 1992 training year were precisely identified by rationalizers and innovators within the Air Force and the Air Defense Troops. In effect, to the movement for inventions and labor-saving ideas, this year was one of continuing efforts and even more effective accomplishments. Significant progress was achieved in all of the indicators of inventions and innovations.

Compared with 1991, the number of projects increased by 7.3 percent (to 1,208), the number of projects applied by 5.9 percent (to 1,095), and the resulting savings by 353 percent (to more than 106.3 billion zlotys [Z]), which, given the expenditures on awards and bonuses totaling Z1.4 billion (a 227-percent increase) for the projects applied, means a profit of Z76 for every zloty invested in inventors and innovators.

What is more, the actual benefits from inventions and innovations are much higher because we have not calculated in zloty terms the nonmeasurable (noneconomic, also termed "social") advantages gained owing to the application of the projects, such as improvements in troop training, the readiness of response, the level of equipment servicing, the safety and hygiene of labor of flights, environmental protection, and so forth.

Because no other investments known to us are as socially and economically profitable, it is not surprising that unit commanders and communities are so hospitable to the projects of innovators and inventors. The attendant benign climate and the positive attitude of superiors and colleagues undoubtedly influence their efforts. That climate has not come about without reason. In units and staffs, where life proceeds in the fast lane and work is indeed absorbing, and where nearly everything depends on the quality and the effects of that work, innovators must be and are cordially welcomed.

Public meetings with leading inventors as well as with the activists of the movement for inventions and innovations are by now a solid tradition of the Air Force and the Air Defense Troops. That also applies this year. In late April in Warsaw, at the offices of the Air Force and the Air Defense Command, the innovations applied in 1992 were summed up and evaluated, distinctions were awarded to the principal innovators, and the directions and objectives for creative and organizational measures in 1993 were outlined. The inventors and innovators

from the Air Force and the Air Defense Troops accomplished the mission posed to them for 1992. They knew that, in the country's current economic situation, nothing is more important than practical ways of conserving resources. Thus, once again they fulfilled the hopes placed in them, and intensive organizational measures resulted in applying, by the end of 1992, 90.6 percent of the projects submitted that year. Many of the projects yielded specific benefits to particular units and commands; some resulted in huge savings and others in minor ones, but, taken together, they produced a significant effect because the truth is that every success consists of little successes; in other words, one grain adds to another.

The accomplishments of our inventors and innovators, which produced measurable economic benefits, included anti-import solutions alleviating the problems ensuing from scarcities of materials and supplies, as well as ways of more efficiently utilizing energy and power resources, making parts and subassemblies operable again (through regeneration) so as to prolong interrepair operating periods and service life, reducing equipment operating costs, reducing troop-training expenses, and meeting the needs for modernization and expansion by utilizing available resources without having to implement new investments.

The best economic benefits were produced by the inventors and innovators from the Air Force and the Air Defense Command (Z82.6 billion); from 1 Air Defense Corps (Z4.6 billion); and from 2 Air Defense Corps (Z0.7 billion). Individual laurels were awarded to:

—Col. Dr. Tomasz Wisniewski and Col. Jerzy Kowalczyk (Ret.) (each accounting for Z13.2 billion in savings), out of the 844 innovators who submitted 812 projects.

—Col. Franciszek Zygis (Ret.) and Col. Stanislaw Janowski (each accounting for Z3 billion in savings), out of 487 innovators who submitted 396 projects.

Of the 728 inventions applied, the greatest savings were yielded by:

—Applied paradigm, "A Modification of the Data Collecting and Processing System for a Combined WLOP [Air Force and Air Defense] Command Post," developed by Col. Dr. Tomasz Wisniewski, Col. Jerzy Kowalczyk (Ret.), Col. Mieczyslaw Mis (Res.), and Lt. Col. Wladyslaw Iskra. Savings: Z52.8 billion.

—Labor-saving project, "A System for Missile Abort Commands," developed by Col. Antoni Wojtowicz, Lt. Col. Wieslaw Lotowski, and Maj. Tadeusz Derylo. Savings: Z10.4 billion.

Of the 367 innovations proposed and applied, the greatest savings were yielded by:

—"A Procedure for Test-Firing Neva Missiles on the Ustka Marine Firing Range," developed by a team consisting of Col. Franciszek Zygis (Ret.), Col. Jerzy

Nastrozny, Col. Stanislaw Jankowski, and Lt. Col. Tadeusz Wachocki. Savings: Z12 billion.

—“A Procedure for Operating Aircraft Whose Fuel Tanks Contain Water-Contaminated Fuel,” developed by Col. Jan Baraniecki, Col. Stanislaw Andruszkiewicz (Res.) (ITWL [Air Force Institute of Technology]), Col. Mieczyslaw Sukonis (Res.) (ITWL), and Maj. Zbigniew Zdziubany. Savings: Z14.3 billion.

The above are only the principal projects and the leading inventors and innovators, but it should suffice to demonstrate how knowledge, talent, and professional experience can pay off in the form of new investments, how technologically and organizationally sophisticated projects correspond to the educational background and service positions of their authors. This is gratifying because that is how it should be.

The motivation for the authors of the project “A Modification of the Data Collecting and Processing System for a Combined WLOP [Air Force and Air Defense] Command Post” was the unsatisfactory performance of the data input facility of the Wieslaw Project (an imported installation) serving to direct, from the command post, the automatic allocation of targets for missile troop subunits and to home fighter aircraft onto detected air targets. Let me add that the data input facility consists of as many as six cabins (each 10 meters long) and requires a power input of 100 kw.

Well, the solution proposed by those authors constitutes, quite aside from the fact that it totally eliminates that unsatisfactory performance of the data input facility, a miniaturized compact unit barely 1 square meter in area and requiring a power input of only 1 kw. Its designers utilized well-known domestically manufactured electronic equipment, designed new data-transmission equipment and the necessary feedback circuits, and developed appropriate software for the personal computer used.

The application of that project resulted in eliminating the input data facility of the Wieslaw Project from radio-engineering units and reducing the project's crew by altogether 99 persons (of which 12 are officers, 30 warrant officers, 15 noncommissioned officers, and 42 enlisted personnel).

The construction of the related design was entrusted to the Industrial Institute of Telecommunications, which has considerable experience in building automated tactical-level command systems.

An equally interesting and useful solution was the project “A Procedure for Test-Firing Neva Missiles on the Ustka Marine Firing Range.” Its conception was prompted by the Air Force and Air Defense Command's abandonment, owing to lack of money, of test firings by the WLOP missile troop subunits (at various targets, including firing at missiles simulating extremely fast low-flying targets with a small reflecting surface, in the

presence of passive and active disturbances) on the firing range in far-off Ashuluk in the former USSR.

The authors of that concept worked out detailed procedures for solving many complex organizational and technical problems. As a result, in June 1992, the Ustka Firing Range became the site of (successful) experimental firings by individual missile troop subunits, whereupon firing under combat conditions was introduced for all missile subunits on that range.

The positive results of the practice firing by our missile troop subunits on the Ustka Range bore fruit in the form of requests from Hungary, the Czech Republic, and Romania, for using that firing range in return for a fee.

Such are the results of the innovative activities of the Air Force and Air Defense Troops in 1992. Their distinguishing characteristic is qualitative changes. The number of applied projects concerning the subjects and domains that matter most to units and commands has increased significantly. And, although measurable economic, technological, and organizational benefits are the principal purpose of those projects, we do not view them in those terms alone because they also concern promoting personal growth and the individual's ingenuity and inventiveness.

Within the WLOP, the attendant benefits are derived not only from inventors and innovators but also from the commitment of others, such as organizers of the movement for inventions and innovations, and unit and subunit commanders. The commitment of the cadre to those activities is essential. The WLOP cadre wants the equipment and resources received by the Air Force and Air Defense Troops to meet their needs. It wants not just to be trained but to be well trained. It wants to work and act more productively and effectively, but also more securely and conveniently. And, because that is so, the cadre itself must maximally contribute to accomplishing those objectives. An opportunity for achieving them is afforded by, among other things, individual and collective innovative actions. After all, everyone has not only something to say but also something to do. Innovative activities are an extremely tangible criterion of qualifications, proactivism, and commitment.

The leading inventors and innovators were awarded distinctions by the Chief of the WLOP Staff Brigadier General Pilot Henryk Pietrzak. Upon congratulating the winners and the activists of the movement for inventions and innovations, Gen. H. Pietrzak emphasized the tangible benefits of their activities to the WLOP units. He also defined new objectives for WLOP inventors and the domains in which further improvements are needed and feasible. Further, he expressed the hope that this year's accomplishments of inventors and innovators and of the organizers of the movement for inventions will markedly surpass those of the past three years.

We firmly believe that that shall be so.

**\* Prospects for Trade With Czechs Deemed Optimistic**

93EP0322C Warsaw RYNKI ZAGRANICZNE in Polish No 81, 8 Jul 93 p 7

[Article by Marek Ryczkowski: "Trade Cannot Be Programmed: Prime Minister Klaus Discovers Poland Anew"]

[Text] The two-day visit of Vaclav Klaus, the prime minister of the Czech Republic [CR], to Poland at the end of June was an attempt to improve the image, especially in the eyes of our businessmen, not only of the economy of our southern neighbor but also of our guest himself. The 52-year-old politician and economist took advantage of every opportunity to emphasize his warm feelings for Poland, describing it as "the CR's most important partner." He emphatically denied the previous, frequent enunciations in the press that emphasized Klaus's distance to the idea of making the political and economic ties between the countries of the Visegrad Group closer. He placed the guilt for creating that false image on the journalist lobby on both sides of the border. In that discovery by the CR, there was again no lack of sharp words about Poland. The guest from Prague called the existence of duty-free quotas for cars brought to Poland from the countries of the EC "a great discrimination against Czech products." That, however, does not appear to be the largest problem imposing a negative tinge on our mutual cooperation and trade.

**Still Far From a Miracle**

In their public statements in Warsaw and the Wielkopolski region, the members of the Czech delegation emphasized the rapid improvement of the economic condition of the newest, besides Slovakia, European state. They listed the excellent rate of privatization of industrial enterprises, the adept budget policy that has produced stable public finances, the muffling of inflation, and the stable exchange rate for the koruna to the dollar and West European currencies. That optimism is not shared in the CR by either the majority of the opposition or many specialists and scholars. A part of the specialist press, including the weeklies EKONOM and PROFIT, have reached conclusions similar to those of the specialists.

During the last year of the existence of the CSFR, there was a decline in the gross domestic product by 8.5 percent, of industrial and agricultural production by 12 percent, and of labor productivity by 2 to 3 percent. In the first quarter of 1993, industrial production in the CR fell by another 10 percent in comparison to the same period in 1992. Moreover, new signs appeared that the enterprises, consciously or not, are increasing wages too rapidly and contributing to the intensification of the inflationary spiral.

In 1992, exports of the CR decreased by 1.8 percent and imports increased by 20.7 percent. The positive balance of trade, noted in 1991 (24.8 billion Kc [Czech korunas])

became negative (Kc22.6 billion, or more than \$800 million). Those figures apply only to the Czech portion of the former federation because, for many years, statistics were also kept in regional terms. The negative balance was a result of the trade performance with the postsocialist (- Kc19 billion) and the developed-market (- \$13 billion) countries. The deficit significantly reduced the positive balance of trade with the developing countries, chiefly the Asian ones (Kc8 billion). The negative balance began to appear during the second half of 1992 and rapidly increased in November and December. That phenomenon should be joined with the fears of many importers of the economic effects of the division of the federation at the time. It should also be tied to the overly rapid and improperly prepared introduction of the new tax system (VAT).

In 1992, the trade turnover of the CSFR reached \$24.8 billion (an increase of 4.1 percent in relation to 1991), including exports of \$12.3 billion (98.7 percent in relation to 1991). The main partners of the former federation were the FRG (\$6.8 billion), the countries of the former USSR (\$4.4 billion), Austria (\$2.1 billion), and Italy (\$1.3 billion). More than 80 percent of that turnover was produced by the Czech and Moravian sections of the federation.

The collapse of the federation significantly complicated the economic situation of the CR. It is estimated that that temporary phenomenon could lead to a decline in industrial production to a level of 70 percent of that of 1990. However, the Vienna Institute for Economic Research, in its forecast for the future, is optimistic, although it prepared two variations for the economic development of the CR. In the more optimistic one, it sees a chance for a breakthrough in 1994-95 to an annual rate of growth of at least 5 percent, and, in the pessimistic forecast, that pattern is to appear two years later.

Although the results of Czech foreign trade in the first quarter of 1993 were good (an increase in turnover of 13.3 percent and a positive balance of Kc3.9 billion), many specialists are saying that, without restructuring the economy, the pattern of declining exports will deepen. In the discussion in the press, some point to the need to increase the effectiveness of the proexport state policy. Among the proposals that have been made are a tax policy and credit policy oriented toward stimulation, the development of the Society for Guarantees and Insurance in Exports (EGAP), making the foreign-trade information system more efficient, developing the promotion of Czech products, and increasing help for small and medium-sized producers who participated in international fairs and exhibitions.

**Making Up for Lost Time**

First a few statistics showing the state of economic cooperation between Prague and Warsaw. As previously for the federation, so now for the CR, Poland is the fifth-largest trading partner. In 1992, the value of trade was \$1.115 billion (our exports were \$0.552 billion) and



close to the results of the previous year. Unfortunately, during the first quarter of 1993, the turnover declined to 73 percent of the level for 1992 (\$123 million). Our Ministry of Foreign Economic Cooperation is not making a problem out of this; it thinks that the level was not bad in view of the recession in the Republic of Poland and in the CR, the decline in demand for investment goods, the significant limits on exports of building and assembly services, and, perhaps most important, the destabilization caused by the collapse of the CSFR and the currency union of the newly formed states. Prime Minister Klaus said in Warsaw that the level of cooperation we had before 1989 and its structure could be restored if the irrational centrally managed economies were immediately reincarnated. That, fortunately, is not possible. Government can only create appropriate conditions for trade. The business owners must decide whether to take advantage of them. Today trade cannot be programmed.

Fortunately, the officials of both countries thought about making up for several years of lost time and began to create those conditions. Prime Ministers Suchocka and Klaus, after signing an agreement on the avoidance of double taxation, both said that, perhaps in July 1993, it would be possible to sign another important document on the protection of investments. It would finally define the framework of standard legal conditions for mutual cooperation. Also, talks on cooperation in the areas along the border, the construction of new border crossings, and so forth also made progress. On the other hand, there was no agreement on Poland's debts of 300 million transfer rubles from 1990. Klaus said that Poland has offered to settle the debt with shipments of coal. The Czech side, however, finds that unacceptable because the mines in the Karvina-Ostrava region have excessive supplies of their own coal. The Czechs are waiting for another offer from Poland.

The Czech prime minister's statements and declarations that he expects a deepening of cooperation among the four Visegrad countries in Warsaw sounded optimistic. To be sure, he does not support formalizing that cooperation. ("We had enough commissions and committees in the past," he said.) He expressed the view that the tensions between Bratislava and Budapest can effectively halt regional cooperation.

The Central European Free Trade Association (CEFTA) agreement, reached in December 1992, which was well received by the West, says, among other things, that 55 to 60 percent of Polish exports of industrial products, beginning in 1 March 1993, will be duty free in the markets of the CR. Poland has similarly opened its market to Czech products. As regards food products, there is a bilateral reduction in duties.

Specialists from our Ministry of Foreign Economic Cooperation are optimistic about the future. They are building on the existing symptoms of an end to the recession, progress in the implementation of programs to

privatize the economy, and the rapid development of small and medium-sized firms interested in cooperating across the southern border.

#### **\* Rail-Transport Deterioration, Improvement Plans Noted**

93EP0322A Warsaw POLSKA ZBROJNA in Polish  
1 Jul 93 p 3

[Article by Andrzej Wasiak: "Eurasia—One Continent: The Polish State Railways Think About Tomorrow"]

[Text] Transport in Poland, as in the other countries in Central and Eastern Europe, has experienced serious difficulties in the past few years. They result chiefly from a reduction in demand for freight transportation and in the number of passengers. Until recently, the Polish State Railways hauled annually as much goods as the German and French railways combined, and labor productivity was higher than on many railways in Western Europe.

In comparison to 1980, last year our trains hauled 50-percent-fewer passengers and 58-percent-less freight. People are limiting their travel as a result of the decline in the average standard of living and the increase in unemployment, along with the fare increases. The causes of the recession in freight hauling are a reduction in industrial production and changes in its structure and the rapid development of trucking firms competing with the railways.

Transit shipments have also significantly decreased. At one time, 12 to 16 million tons of goods transited Poland, and, recently, in conjunction with the collapse of trade with countries in CIS, barely 4 million tons transited. All that, however, should not prevent us from thinking about the future.

Poland's geographical location makes its transport infrastructure an important link in the East-West and North-South international corridors.

The East-West rail arteries crossing Poland are a fragment of the Eurasian mainline. The shortest route will be from Rotterdam through Berlin, Warsaw, Moscow, Druzhba, and Urumqi to the port of Lianyungang on the Yellow Sea. The total length will be 10,600 km.

Poland contributes nearly 5,000 km of transit rail lines to the European transportation system. The Polish State Railways are capable of organizing an effectively operating network of connections. According to estimates of the European Economic Commission of the United Nations, transit shipments from west to east in the next two years should increase about 60 percent. From north to south, they can increase 30 percent during the same period. The time it takes trains to transit Poland is to be reduced by 10 to 14 hours.

According to the AGC agreement Poland signed that was accepted by the European Economic Commission of the



United Nations in 1985, adaptation of the lines covered in the agreement to 160 km/h [kilometers per hour] and a load of 225 kN [kilonewtons] per axle has been begun. The modernization of the line Kunowice-Poznan-Warsaw-Terespol, which is being done first, will permit reaching those parameters on the section starting from the Western boundary to Warsaw in 1997.

That will shorten the transit time by one hour and 45 minutes. The investment is to cost 19.3 trillion zlotys [Z] in 1992 prices. Where can so much money be found?

Experts at Kolproject and Deutsche Eisenbahn Consulting have calculated that expenditures for that purpose would be returned to the national economy in eight years, and the Polish State Railways will break even in 11 years. In the opinion of Prof. Werner Rothengatter of Karlsruhe, who included benefits from the significant acceleration of freight shipments, the Polish railways would recover its investment nine years after investing in the modernized artery.

What additional effects, other than a significant shortening of the time for moving people and goods, would modernization of the Kunowice-Warsaw mainline bring?

Primarily, an easing of unemployment by creating jobs for railway designers and construction workers and for workers in the industries producing the essential equipment and the rail elements. Railways take up much less area than motor transportation per unit of goods or per passenger transported. Consumption of energy is also low in comparison with motor transport. The line is electrified; thus, it is less of a threat to the natural environment.

Our specialists are well qualified to perform such a task. Years ago, they build the foundations for the Central Railway Mainline for passenger trains that travel 160 km/h. All the essential equipment and materials are produced in Poland. Nevertheless, Polish railways cannot afford rapid transformation of the line from west to east.

At the expense of reducing renovation on other lines, the Polish State Railways began initial work on the section Warsaw-Poznan. In many places, exchange of the rail bed and an improvement of the geometry of the bends was begun. That was conjoined with the work that had to be done by the power, the communications, and the railway-automatization industries.

They were able to scrape together Z160 billion, which amounted to 0.83 percent of the costs for the entire transformation. In 1993, the General Directorate knotted together Z700 billion to continue the renovations. Specialists at Kolproject calculate that that will enable them to shorten the travel time by 6.1 minutes.

Our railway then cannot finance the profitable and needed modernization alone within the required time. It

is seeking to get funds for that purpose from the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank. Will it get them?

Without waiting for the long-term plan for development, the Polish State Railways are systematically improving the international schedule for passenger and freight trains in cooperation with other railways. Beginning on 1 October 1993, two freight trains will go into operation (according to a schedule as passenger trains do). That will make it possible to define the transportation time within one minute, not unimportant to those expecting packages.

The Polish railways are actively participating in the Organization for Railway Cooperation, which, since its founding, has been located in Warsaw. Our specialists are actively participating in the work of its commission and in the meetings of experts and working groups.

One of the most important tasks of that organization is improving transportation between the countries of Europe and Asia and gradually harmonizing their transportation systems. A condition for that harmonization is equalizing the technical level of the railways and successively unifying the existing provisions of transportation law. That will make it possible in the future to create a uniform transportation system for the entire Eurasian continent.

#### **\* New Regulation Eases Currency Transactions**

93EP0322D Warsaw RZECZPOSPOLITA  
(ECONOMY AND LAW supplement) in Polish 6 Jul 93  
p 11

[Article by Izabela Lewandowska: "More Freedom in the Convertible-Currency Regulations"]

[Text] Beginning in the middle of July, in transactions with countries whose currency is not convertible—that is, with the former socialist countries—there will no longer be a requirement to collect and make payments in convertible currency. Polish firms will be able to establish accounts in foreign banks without a convertible-currency permit, although with some restrictions, and to conduct investments in a country, and Polish transportation firms will be able to sell tickets and provide shipping services for zlotys.

During this time, a new decree (of 18 June 1993), more liberal than the one of 1989, will go into effect. The decree concerns a so-called general convertible-currency permit. In currency law, the principle is what is not forbidden is permitted. But there are still many prohibitions and limitations in the exchange of so-called convertible-currency items (in addition to foreign currencies, those items include stocks and bonds, gold and platinum, and even Polish zlotys). Many of those limitations are eased by the ability to obtain individual permits for some currency transactions or operations from the National Bank of Poland and the planned

so-called general convertible currency permit, which has been established by the minister of finance in the form of a generally binding decree.

Soon there will be more of these general permits. The majority of the changes primarily concern firms conducting business in other countries and the banks. For private individuals, it is important to know that, in conjunction with the increase in ticket prices and prices for consumer goods, it will be possible to export not, as heretofore, 5 million zlotys [Z] but Z20 million.

Still, an individual traveler (chiefly tourists) will be able to take abroad no more than \$2,000 in cash or checks. The government has resigned, however, from stating what those funds can be spent for and has limited itself to the statement "for the purchase of goods and services abroad." The comical legal gap that made it necessary to have an individual convertible-currency permit in order to purchase something in a duty-free store and that threatened those who did not have one with criminal legal responsibility has been eliminated.

The broadening of the catalogue of convertible currency permits to include bank checks to cover payments in foreign trade is important for those doing business. The promotion of noncash settlement, besides the convenience of the interested parties, is to make it easier for the National Bank of Poland to control their activities, to tighten the convertible currency border of the state, and to impede money-laundering.

Without a general convertible currency permit, it will be possible to obtain a loan at the International Bank for Reconstruction and Development; the European Investment Bank, covered by guarantees from the Polish bank or the National Bank of Poland intended for financing an investment in Poland; and the Polish-American Entrepreneurship Fund operating in Poland.

Polish transportation firms will be able to sell foreigners tickets and provide them freight forwarding, shipping, and insurance in maritime ports and abroad for zlotys.

There are also important changes concerning trade with the former socialist countries, seriously hampered by the shift to settlement in convertible currencies. Thus, in trade with a country whose national currency is not convertible, it will be possible to abstain from collecting payment in a currency of a third country not involved in a barter transaction (a direct trade of goods and services) if the value of the transaction is clearly expressed in a convertible currency and on condition that a copy of the contract is sent to the Bank of Commerce, Inc., in Warsaw.

The economic units will be able without permit to have accounts in foreign banks to finance contracts with foreign persons if the value of the contract does not exceed \$100,000 and the duration of the contract does not exceed one year, on the condition, among others, that a copy of the appropriate information is sent to the

National Bank of Poland. They will also be able to keep currency earned abroad in those accounts.

Sports teams will be able to purchase currency without a convertible-currency permit and take convertible currency abroad to cover the costs associated with participation in a sporting event, and all residents will be able to purchase in banks and transfer abroad rent payments in conjunction with signed leases.

We will publish the complete text of the decree in the near future.

### **\* Strong Recovery in Shipbuilding Observed**

93EP0322B Warsaw NOWA EUROPA in Polish  
7 Jul 93 p 1

[Article by Przemyslaw Kuciewicz: "Orders Worth \$1.6 Billion; The Polish Shipyards Increase Production"]

[Text] The largest Polish shipyards, which were pushed into collapse by the world recession of the 1980's and the Polish economic crisis, are coming alive at a surprising rate as production grows rapidly.

The Gdynia Shipyards, whose production fell to \$59 million in 1992, intends to work on contracts valued at \$340 million in 1994 and \$400 million in 1995. The Gdansk Shipyard, whose production bottomed at \$55 million in 1990, will do work valued at \$250 million in 1993. The Szczecin Shipyards tripled its sales in one year.

In 1992, the Polish shipbuilding industry was the 10th-largest in the world, with 340,000 tons (register tons); in terms of the contracts signed for 1.3 million register tons, it is already sixth. In 1992, it was one of the few whose booked orders increased. For the next two years, ships valued at \$1.6 billion have been ordered in 33 shipyards.

In 1993, Polish shipyards are finishing the construction of contracts placed before 1991 on which they incurred losses. The losses were a result of the government's canceling previously guaranteed budget subsidies. All of the new contracts are now profitable.

Production in the shipbuilding industry worldwide, which has been systematically growing over the past few years, showed a slight breakdown in 1993. However, prospects for the second half of the decade are decidedly positive. That is chiefly due to the predictable massive scrapping of the building boom of the 1970's. Even if the level of business in ocean shipping remains at a low level, the shipyards will have their hands full of work to replace the aged tonnage being removed from use.

The recently formed association of employers "Ship Forum," which includes Polish production and repair shipyards and enterprises that cooperate with them, intends to take energetic action to create conditions that will permit the Polish shipyards to take advantage of the coming increase in business. The Forum's main proposal is to accelerate the financial restructuring and debt

reduction of the shipyards. Their debts, a result of past events (withdrawal of the subsidies, not receiving payments for Soviet shipowners, back taxes) exceed 10 trillion zlotys and are constantly growing. So far, only the Szczecin Shipyard has reached an agreement with its creditors and restructured its debts. The others are

constantly threatened by a cutoff of financing and, theoretically at least, a halt in production.

The problems of the Polish shipbuilding industry are to be examined by the Economic Committee of the Council of Ministers in the near future.

## Federal

### Dinar Shortage Has Negative Effects on Savings

93BA1331D Belgrade POLITIKA in Serbo-Croatian  
22 Jul 93 p 9

[Article by G. Volf: "The Crash of the Exchange Rate for Account Money"]

[Text] The exchange rate of account money experienced a real collapse yesterday. From a level higher than 21 million dinars, which is what the public was paid two days ago for a German mark by the "most generous" savings banks, the price of the popular German currency fell to 14 million dinars, and many savings banks even halted purchases.

The cash drawers of these financial institutions, against which there has been a great hue and cry these days, contain large quantities of foreign currency that has been purchased, but there is hardly a dinar in their accounts. A large number of individuals who have paid money into their own or someone else's account by selling foreign exchange to savings banks and banks will for all practical purposes be deceived. It is most likely that their money will not be paid to them even today.

Just as the rise of the exchange rate for account money in the last few days was a consequence of the immense volume of account dinars in the accounts of banks and firms, so this collapse has caused a sudden ebb tide of the domestic currency. That is, the savings banks literally have a pulse beat in time with the issuing of money. When the dinars flow from the National Bank of Yugoslavia, the exchange rate rises dizzily; when there are no dinars in the accounts of the banks and firms, the exchange rate drops.

The selling exchange rate for account money at which commercial banks and firms buy foreign currency from the savings banks has also experienced a collapse. That is in fact the reason why the savings banks and private banks do not have dinars. From 30 million dinars the day before yesterday, which was the maximum selling rate for account money, yesterday firms were able to buy the German mark for an average of 22 million dinars, but a further drop is also expected. That was the situation up until 1400 hours.

It is well known that the Settlement Agency accepts payment until 1300 hours, and after that time it is difficult to transfer money from one account to another. What was paid to the public before that time will be there for them today in their accounts.

When the money merchants in the savings banks and private banks do not manage to sell the foreign exchange for as many dinars as they owe the public, the transaction is not "completed." Most of the savings banks yesterday did not manage to complete this circuit for the money. The only consolation for the public is that the exchange rate is not rising, but falling.

The sidewalk exchange rate stayed the same yesterday. The German mark was being purchased for the usual 8 million dinars and sold for 9 million dinars. That is another consolation for those whose money will not be in their accounts today.

Prices, however, have not stayed the same, and merchants who include in them the rise in the exchange rate on the black market are adhering to their own unwritten rule of paying no attention to a fall in the exchange rate. And the bankers are mercilessly applying high rates of interest to overdrafts. For all those who wanted to cover an overdraft with a credit transfer by selling foreign exchange and those who wanted to buy something, yesterday's collapse of the savings banks will be disastrous. Owners, it is true, are trying to sell the foreign exchange they collected as soon as possible and thus "complete" the transactions, and also to prevent the public from venting its anger on them.

### Citizens Unable To Withdraw Dinars From Banks

93BA1331E Belgrade POLITIKA in Serbo-Croatian  
22 Jul 93 p 9

[Article by Lj. Rabrenovic: "They Do Not Have Dinars, They Do Not Issue Checks"]

[Text] In Belgrade's government banks, things were humming like a beehive. Yet not a single dinar could be withdrawn. Embittered citizens were scolding bank employees, the government, the opposition, the bakeries, the dairy stores, and the private operators who refused to take checks....

People were waiting in long lines to pick up checks. Those who have only giro accounts were opening current accounts (in Slavija Banka) so that they could use their money and keep it from losing value. Many did not get the job done, because bank personnel took the position that if the applicant had 10 unused checks, he was not entitled to new ones.

"A few days ago I took 10 checks. Because there is no way I can obtain cash, I did business with them. Now they are not going to give me new ones, because the first ones have not come in for collection. Although I have money in the account, I have neither money nor checks. This is really a scandal what they are doing to us. They do not have dinars, they are not issuing checks, so how are we supposed to live?" says Djordje Stojic, whom we encountered in Slavija Banka in Lola Ribar Street.

Still, things seem to be the worst for retired people. Old and sick, for several days now they have been waiting at various branch offices to withdraw pensions that are miserably small anyway. Nor is it any easier for those who get their money directly from the mailman. They complain that the mailmen are using the pension money to buy foreign exchange, and then after a few days they sell it and only then bring the pensions. In the meantime, because of the difference in the exchange rate, the pensioners receive five marks instead of 10, and that is

what the mailmen gain. Those who get their pensions in banks, by the time they get their money, it has also lost its value, so that it is almost impossible to buy anything for it.

"What kind of country is this, where is the government? You see what they are doing to us. Go ahead and write about it, they are treating us like cattle. For several days now, I have been going from bank to bank trying to withdraw my little savings of 60 million. I worked all my life for it, and now even that money, on which I should have been able to live two weeks, is not enough even to buy a bag of detergent," says Ljubica Joksimovic, a retired woman who receives her pension in a Beobanka account.

These and similar statements were to be heard from other citizens who were waiting in other lines in front of tellers' windows in Slavija Banka, Beobanka, Jugobanka, and Investbanka. No explanations from the personnel were of any help. After all, people are looking for money, not sterile explanations....

#### **Program To Prevent Financial Collapse**

93BA1346D Belgrade EKONOMSKA POLITIKA in  
Serbo-Croatian 26 Jul 93 pp 24-25

[Article by Vladimir Grlickov: "Stabilization Program: Last Attempt Before Breakdown"]

[Text] *The first symptoms of the breakdown of the financial system, which are apparent from the speed at which money is being devalued, with an ever smaller supply of goods, are the main reason that a program of additional measures has been prepared, the basic aim of which is to prevent the worst evil, in the form of a suspension of all functions of the dinar (market) and a changeover to a natural economy.*

The goal of the program offered by the Economic Institute in Belgrade, apparently formulated in conjunction with the government, is to point out the danger of approaching a situation in which it will not be possible to limit consumption with any of the known market mechanisms and measures. The increasing shortage of foreign exchange (hard currency) not only makes it impossible to import goods under conditions of alleviated sanctions, but also represents a continuation of the already undesirable process of German markization, i.e., dollarization of domestic trade. In a situation where the danger looms that any kind of money will lose its role as a means of payment, a program is being offered whose goal is to prevent the death of the already seriously ailing dinar. Being a prophet is a thankless task, but even if the first assumptions are realized the prospects are not favorable. The money supply doubles in less than one week, while under the program it would increase only 70 percent in all of July. On the other hand, a certain amount of encouragement can be found in the latest daily trends in black market and current account exchange rates for hard currency, which have unexpectedly begun to fall.

The program is based on monetarily anchoring prime issue and through that lowering the inflation rate to 60 percent a month by the end of the year. Moreover, this anchor should not be abandoned, no matter what the cost. At the same time, the program does not provide for freezes in prices, the foreign exchange rate, interest, wages, and public spending, because it was felt that under present-day circumstances that could stifle individual elements of the market economy, i.e., could mean a direct transition to the command economy system. Through this, the name miniprogram, the realization of which does not presuppose a rapid lowering of hyperinflation in only 15 days, as has been the case in some Latin American countries, justifies the attribute that it has been given.

In any event, much of this can be accomplished through the monetary anchor, which under normal circumstances is clearly able to influence all spheres of consumption (as Nebojsa Savic says, in the end all deficits break up and are monetized through the central bank), if it is implemented consistently, with a solid fiscal policy. The most important thing is that control is established over the net domestic assets of the NBJ [National Bank of Yugoslavia] and over state debt in the form of loans from prime issue (more than 60 percent of issue goes to cover the deficit). This is clearly no easy task if one bears in mind that "breaches" in state debt restrictions have already been effected at the NBJ. The only remaining hope is that this will no longer happen after the new measures go into effect, on 1 August.

Prime issue for old foreign exchange savings would be terminated (the current 20 percent of prime issue would no longer be applied to this purpose), because a three-year moratorium on all cash payments would be introduced, while leaving open the possibility that the bonds into which such savings would be transformed could be directly converted into real property, or ownership rights in companies and banks. The question is whether commerce (trading) in these securities and, for example, their term sale would be allowed.

There are high ambitions of establishing monetary control in the sphere of demand for foreign exchange (hard currency) on the black and current account foreign exchange markets, the aim being to halt the rampage in exchange rates. It is naive to think that anything can be done here through repressive measures, because that does not eliminate the excess demand that is present here. Also naive is the belief that, say, the current account exchange rates can be eliminated. On the contrary, paying the price of foreign exchange and hard currency through current account means is even recommended (the use of cash is reduced). Controlling demand, including current account, is another question entirely, without which it is not possible to avoid the phenomenon of uncontrolled exchange rate trends. The idea of a unified market (interbank meetings), in whose work everyone with legal permission to work who is collecting hard currency today would be included, could be a solution. One particular question is whether in

practice this would mean legalizing the currently illegal transactions involving buying up hard currency and using prime issue to this end. In any event, Radovan Kovacevic is right in emphasizing that NBJ control and the avoidance of excessive prime issue are essential if there is truly a desire for monetary stabilization and calmer foreign exchange rates.

As far as "forcing" tax revenues into budgets and increasing them to one-third of the social product, i.e., reducing prime issue to this end, there would be prospects here if the competent institutions were to tighten control. The current situation in this area is unfavorable because real fiscal sources (taxes) account for 16 percent of the social product. At the same time, the share of budgetary outlay in the social product is significantly greater (as much as three-fourths).

The situation concerning support for the Serb borderlands is rather unclear, because the outflow of 20 percent of the social product to that end could represent the greatest cause of monetary expansion. A particular problem is that this could lead one to conclude that the population in the borderlands has a standard of living twice as high as that in the FRY [Federal Republic of Yugoslavia]. It is true that Zoran Popov contends that this sort of outflow to the borderlands is not happening in practice, because this is an accounting representation that includes military equipment that remained there from the "old" Yugoslavia, and that this outflow is no greater than 8 percent of the social product. But this should be no reason to abandon the aim of the ministabilization program of the Economic Institute in Belgrade to reduce the outflow to the borderlands to 5 percent of the social product.

Savings that should not be underestimated are also possible in the domain of social policy (2 to 3 percent of the social product). An unquestionably major problem is the figure of 2.2 million employees, under conditions of an estimated drop in the social product by 30 percent this year, of whom 800,000 are on mandatory leave, not working and receiving higher wages than those who are actually active. The social structure that is present here can be seen in the 1.2 million pensioners and 1 million refugees. The basic aim of the program is to create room for savings here as well: This could be achieved if, say, enterprises were released from social obligations to pay those who are not working, so that all of them would switch over to benefits from social funds. According to Jurij Bajec, this would not be all, because some of them would be completely excluded from the social welfare system since they already have income from agricultural production or from private businesses. Enterprises would be given some room to free themselves from obligations toward 1 million employees and to a certain extent to attempt to introduce motivational elements to those who are actually working.

The greatest controversy about the program is provoked by the proposal to abandon administrative price controls. Danijel Cveticanin cites a number of arguments for

why the populist understanding of protecting the standard of living, which is the basis for pressure on the government from certain parties, should not be accepted. Administrative price controls not only lead in practice to shortages of goods (which are already in short supply today) on the market, but also lead the way to a further "flourishing" of black markets and a system of forced rationing. A particular problem is that the state today is not in a position to provide this (in this time of wartime conditions and patriotic fervor), just as no state is in a position of successfully replacing the liberalism of free price formation with rationed consumption.

Reconciling ourselves with hyperinflation and abandoning anti-inflationary monetary measures is not favorable to privatization. As Miodrag Zec says, the unrestricted issue of money, with a large number of beneficiaries, including citizens (negative balance in accounts) is not an atmosphere that is suitable to privatization. The logic is as follows: The whole burden is shifted to companies, causing an increase in losses, which in turn brings about the disappearance of social capital and of the bases for carrying out the privatization process. And without privatization it is hard to count on foreign support and the inflow of capital, i.e., economic renewal and development.

#### **Discouraged Farmers Hold Back Wheat**

*93BA1346B Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 26 Jul 93 pp 12-13*

[Article by Nada Vodenicar: "Wheat: Discouraged Harvesters"]

[Text] *Producers are dissatisfied with the purchase price; private dealers are competing with the state; grain has ended up in lofts.*

According to estimates prior to this year's harvest, a yield of 3.3 million metric tons of wheat is expected and there are plans to buy up 70 percent of it, including 1.2 million metric tons of grain from individual producers. Judging from what our correspondents have reported, the purchasing system broke down at the very outset, because producers, dissatisfied with the offered purchase price, have supplied only what is needed to cover current expenses and somehow survive until the corn harvest, while most of the harvested grain has been stored in lofts, granaries, and sheds, waiting either for a better price or for private dealers who have already begun to "operate" in Vojvodina, paying as much as 1.5 German marks [DM] for a kilogram of wheat.

In Sombor Opstina, according to the information that we have received, from the 10,000 hectares under wheat, with an average yield of 4.2 metric tons per hectare, 20,000 metric tons have been delivered; the harvest has been completed in Apatin Opstina, and with 3,300 hectares under cultivation an average of 3.5 metric tons of grain have been harvested per hectare, but only around 12,000 metric tons have been delivered. In Vrsac Opstina, of the 32,000 metric tons of wheat produced,

20,000 metric tons have been delivered, while only 540 metric tons have been paid for, despite the fact that Regulation of the Republican Government on Trade in Wheat from This Year's Harvest orders buyers to pay for wheat upon acceptance, or with the prescribed interest for each day that payment is overdue. Wherever you turn, the least of all in this whole business is being received by those who reaped the grain, which prompted us to talk to several farmers from Crepaja, a prosperous town near Pancevo.

#### We Believed the Government...

Tomislav Stojkov, an experienced farmer, attributes all the misunderstandings concerning purchases to the parity between the unstable dinar and the increasingly expensive German mark. He has this to say, among other things: "There was wheat in our district on around 800 hectares, and the yield was between 1.5 and 3.5 metric tons, depending on how much was invested, whether the seed wheat was sown in the fall or whether it was taken from the lofts, and how much it was fertilized and with what. All in all, I would be satisfied with the harvest, but certainly not with this price of seven pfennigs per kilogram of wheat. You see, when the government announced a protective price, we believed that those prices would be maintained. But what happened was this: I delivered grain two weeks ago, I was paid several days ago, and instead of 25 pfennigs, as I had been told, I got only seven pfennigs. Now I am wondering what my material interest is here, because if I subtract all my expenses it turns out that I worked for nothing. You can assume that I had to secure my own fuel, that the coupons that I got for all this land would not have been enough for even half the job, especially since it was not possible to get the oil for those coupons in time, and I cannot wait until September to harvest my grain. Thus, I and everyone else got our oil last spring on the 'black market,' or on the free market, as you journalists say, but I would call it the smuggling market, at a price of 90 pfennigs. Now that same liter costs between DM1.30 and DM1.50, but as things stand with the arrival of fuel to our gasoline pumps I will probably have to go back to the black market. To say nothing of the price of fertilizer, which rose at a dizzying pace, and the drought, so that nothing at all helped us.

"I must say that with all the problems that we are experiencing, there is a great deal of improvisation among those dealing with this country's agricultural policy, they have had many failures, and talk of loans to agriculture, stimulation, and other favorable terms is just empty talk. To this very day, we in the country have not felt the effects of these highly favorable terms. I have completely mechanized my cultivation of the land, I have counted on an honest game, and I have even kept my son on the land; after completing technical school he did not go off to some office, but rather returned to the fields. And where is his future, where is the security and prosperity that the land is supposed to offer him? Because the parities of the prices of our products and of the goods that we buy are such that we farmers come up

short, to say nothing of the risk that we bear by doing our business on our own—if we buy seed corn, we pay cash because we are afraid of loans; if we buy seed wheat, then again we avoid loans; if, God forbid, something breaks on our tractor or any other machine, then it is back to the black market, where everything is available, in contrast to the state stores, but the prices are too high."

#### Loan Was Worthwhile for Me...

Branislav Djukic took a risk in the fall and accepted seed wheat on credit, and now that debt has been (fortunately) rendered worthless, because inflation has outstripped interest, so that the figure is meaningless. However, he does not hide his dissatisfaction with the delivered wheat, but also his disappointment that the state has deceived him for the umpteenth time.

"Like everyone else, I have invested plenty in producing wheat, in the hope of earning something. It is awful to hear every day on the television about protected prices, guaranteed prices, about reserved money for the purchase of grain, but when we go for our money time and again we are told, 'There isn't any, come back tomorrow, or let those people on television pay you.' Several days ago I was paid for grain that I delivered a month ago, and at seven pfennigs it was nowhere near what I expected. I think that those people who have not handed over a bit of grain and are holding on to it for some better time are right, because what are we supposed to buy with this money when, say, 100 kg of concentrate costs 470 million dinars but 100 kg of grain costs 70 million dinars? This is disparagement not only of our labor, but also of us farmers. On the other hand, we do not have much of a choice in terms of markets, aside from state mills, black-marketeers, and markets where we could possibly sell flour at some market price. This means that I cannot make any plans based on my labor. This means that I have done poorly with grain this year, and the question is how I will manage the fall sowing of that crop because if no one guarantees me anything I will limit myself to my own needs and to a planting from which I can live. My soil is my wage. I am afraid that this year's experience with wheat will have effects like the ones from sugar beets 10 years ago, when we planted one-third of the district, but when we delivered them more than half were rejected because of dirtiness, inadequate digestion, so that when we recalculated it turned out that we had worked to our own detriment. Now our sugar refinery in Kovacica is importing beets from Hungary. I am afraid that that could happen with grain as well...."

#### Protective Price on Paper...

Petar Djukic had spent 11 years working at a state firm (with a technical school education) when he finally decided to go into agriculture, figuring that with good organization he could assure himself of a decent existence.

"It is normal for every job that is done to have its price, and this farming job of ours has a high price when you

think about investments from our own pockets, and when the money that we demand for our delivered goods is withheld from us in every possible way. Just look at this grain price that is below all of our material interests. What we would accept as a realistic price is 25 pfennigs, a price that would cover our expenses, all our investments, purchases from black-marketeers at higher prices, with something left over for us. Indeed, this year's purchase price for wheat shows how little the protective price and the government's decision are respected. The protective price has remained on paper only, I do not know what effect these corrections will have, I only know that I was paid seven pfennigs per kilogram for my deliveries. And when I tell you that filter oil costs DM10 per liter, you see that for two metric tons of wheat I can buy 10 liters of that oil, which is not a spare part, but rather a consumable material. Or the offer that comes to us from Debeljaca whereby we provide a kilogram and a half of wheat for a kilogram of artificial fertilizer. There are many examples to the disadvantage of those of us who have produced wheat, and no special explanation is needed for why 80 percent of the total harvest remains in our lofts. I repeat: A price of DM2,500 for a freight car of grain would suit us, anything else is to our disadvantage, but it remains to be seen whether the government will accept this. However, this could have an effect on the fall planting which is coming up in a few months, and if it is known that we farmers have a good and long memory from the period when grain was subject to compulsory delivery quotas, then the campaign, then one year of goods on the market, and now this year of 'precious grain for a fistful of worthless paper,' it could happen that this is no guarantee at all for the next planting, and possibly we will focus only on our own needs."

#### Thin Profit Margin

Mirosljub Radovancev is also a young man who had high ambitions connected with the land and the village in which he was born. With resignation, he tells us this:

"We seek a price to cover our expenses, but if we buy expensive fuel, and get it from black-marketeers in German marks, if we buy parts for our already depreciated machinery, also from black-marketeers since they are the only people who have them, and if we also have other expenses, then our profit margin is thin. That, among other reasons, is why private dealers do not bother me, because they pay us what we consider to be a realistic price and do not haggle; we get our money in cash without waiting around in some office, i.e., according to a free agreement and the market principle of 'I give you grain, you give me money.' Thus, if the state is incapable of organizing its purchasing system as it should be organized, then we will do whatever we want with our product, because we have invested in it, we have worked on it, we have covered all debts, duty, and various taxes, and accordingly we are the owners of what we have produced. Back in February I paid 95 pfennigs for fuel so that I could get all my farming work done in time. These coupons, you see the whole pile of them, I have no one to whom I can give them, because oil arrives

at the pump in our village rarely and in insufficient quantities. And now this business with the wheat, this disparagement of us farmers by the government because farmers are not what they used to be, slaves to the land and to those who formulate agricultural policy, these creators of the agricultural system should not expect us to work without enjoying any benefits from our work."

#### Macedonia

##### \* Civic-Liberal Party Wants AIDS Test for U.S. Troops

93BA1184F Skopje NOVA MAKEDONIJA in  
Macedonian 16 Jun 93 p 4

[Unattributed article: "AIDS Test for the U.S. Troops"]

[Text] The Civic-Liberal Party of Macedonia is demanding that the government of the Republic of Macedonia, especially the Ministry of Health, take the necessary steps to determine the state of health of the U.S. troops who are supposed to arrive in the announced military contingent. In addition to the usual health measures and checkups provided for foreigners, special attention should also be devoted to checking for possible infection of the troops and officers by AIDS, as well as to identifying possible carriers of this disease's virus.

All of this is being demanded because America is among the countries with a high percentage of AIDS victims. The Ministry of Health is being asked to inform the Macedonian public and the World Health Organization about the steps taken and the situation determined, according to the communique from the Civic-Liberal Party of Macedonia.

##### \* New Communist Movement of Macedonia Against U.S. Troops

93BA1184E Skopje NOVA MAKEDONIJA in  
Macedonian 17 Jun 93 p 4

[Unattributed article: "Against the Arrival of the U.S. Troops"]

[Text] Yesterday the New Communist Movement of Macedonia, headquartered in Gostivar, issued a communique for the news media in which, among other things, it condemns, as stated in the communique, the ill-considered action by our political leadership, headed by Kiro Gligorov, in sending for the American troops.

With the arrival of the American troops, in addition to the already present UNPROFOR [UN Protection Force], our state will be occupied and it will lose its sovereignty and independence, according to the communique.



## Preparations for 1994 Elections Criticized

93BA1184B Skopje VECER in Macedonian  
12-13 Jun 93 pp 6-7

[Article by Vera V. Adzigogova and Venko Kricevski:  
"Forgotten Electoral Paragraphs"]

[Text] *The 16 months left until the regular elections is a relatively short time for completing the adoption of the complex and difficult regulations on time and in a high-quality manner; at least six months are needed for the electoral law; essential audit of the electoral lists, which can even take a year of arduous work; why are the current authorities keeping silent and still not starting to prepare the electoral laws?*

There is still a year and four months until the regular elections are held. Many people would say that there is time; it's a long way off! When one lists everything that has to be finished in those 16 months, however, starting with the adoption of the electoral law, through the law on electoral lists and electoral districts, up to the law on electing the president of the republic, then it becomes clear that there is no time to wait! Otherwise, it can easily happen to us that even if they are held, we will have an improvisation instead of elections!

The information that we have leads us precisely to think that an improvisation can easily happen to us. Not even part of the above-mentioned laws have been started, not to mention the other accompanying regulations. Although individual political parties have "cast down the gauntlet" on several occasions, for various reasons, and the SDSM [Social Democratic Alliance of Macedonia] went so far as to launch an official initiative to schedule early elections that was also discussed in the Assembly, and although Prime Minister Branko Crvenkovski, upon his "inauguration," cited the electoral law as one of the more important tasks, promising that it would be prepared quickly, so far there is nothing new in sight! On the contrary, representatives of the current authorities are not only not preparing the electoral laws, but are even apparently not looking at the prepared one that has been offered to them. That is also happening, by the way, with the working text of the law on elections that was drafted and offered by two citizens, who are also experts on electoral theory and practitioners who have experienced for themselves what holding unprepared elections, especially in terms of regulations, means.

### Detailed Alternatives

The working text on the election of deputies to the Assembly has been "circulating" since this February. It was also sent to the prime minister and to the president of the Assembly. Behind it lie six months of work by the two authors, as also indicated, by the way, by the detailed elaboration of different alternative solutions, as well as the "rather thick" explanation, which we have not been used to seeing for a single legal document. By the way, as a parallel, the explanation of the constitution at one time consisted of a modest eight pages.

In the working text, the authors work out all the issues associated with the election of deputies, noting in this regard that it is necessary to aim at drafting a new electoral law, since the solutions in the current one are not formulated clearly and precisely enough, and at the same time contain provisions that are not consistent with the constitution. The motive for bringing up this problem is the intention, in preparing for the regular elections, to catch the train on time and prepare all the regulations, not in haste, as we have been used to doing, but rather in a normal process. That, in turn, should make possible the organized, legal, and democratic conduct of the elections. An educational point should not be overlooked either. Specifically, it is one situation when those who are holding the elections are given the law on time, which also means time and room to scrutinize it, and a completely different situation when it is given to them at "five to twelve," so that they do not know what to undertake first—studying the law, or preparing for the elections and applying it in practice.

The first key point for preparing and channeling all the electoral regulations is determination of the electoral principle. Alternative solutions are offered for the three principles, majority, proportional, and combined. The relationship between the electoral model and the electoral district is worked out in detail. It makes it clear that the choice of an electoral principle is a purely political issue and decision. Nevertheless, they prefer the combined model, explaining that that method allows making use of virtually the last vote in the electorate. In this context, the experience from the 1990 elections is recalled, when many of the electorate's votes remained "void" because of the majority electoral principle.

### Worthless Lists

The second key issue is determining the right to vote, i.e., proceeding from the provision of the constitution that "only citizens of Macedonia have the right to vote," determining which citizens will have the right to vote and which will not. This is determined, above all, by the Law on Macedonian Citizenship, since until it is adopted the general electoral lists do not have any meaning at all.

In other words, it is necessary to regulate what happens with citizens of the former Yugoslav republics who live on the territory of the republic, and who have the right to vote under the old constitution. According to the constitution, those citizens will not be able to exercise that given right, unless, of course, they make use of the right given by the Law on Citizenship and regulate their status as citizens of the republic. This problem is immediately associated with the dilemma of how to handle the right to vote for emigrants or citizens temporarily working abroad. Among them, there are those who can become citizens of Macedonia on the basis of their origin, but those people have neither been born here or lived here, or even fulfilled their obligations to the state. The question is whether someone for whom Macedonia is only a fatherland can decide on what happens in the republic. The experiences of other countries indicate

that they are not given that right, and that they can only vote if they come to the country. There is an interesting comment that some countries—Germany, Switzerland, the Netherlands—prohibit voting in elections that are held in another state. That is the reason for the suggestions that only citizens who live here, and those who are temporarily working abroad but whose families live here, have the right to vote.

There is also an unavoidable issue here—what to do with citizens who have started the process of determining citizenship, and how their right to vote will be proven if the process has not been completed for them. At least so far, experience shows that it takes a long time. The legislator will thus have to find a solution for this problem as well.

#### Chaotic Data

Even without major analyses, it is quite clear that because of these issues, the electoral lists will have to be audited, especially because in the past, when it was a matter of updating who died, who moved, who moved in...we did not show any great enthusiasm. This, by the way, was shown quite well in the 1990 elections. Let us recall that at that time, in the first round of elections there were 113,000 unrecorded votes, which is almost 10 percent of the electorate. Just eight months later, during the voting in the referendum, there were 79,000 unrecorded voters registered. This, of course, does not include the Albanians who boycotted it. If they are included, this figure will obviously be even larger. There are also these data: during the first round of voting in the last elections, the electorate consisted of 1,330,000 voters, but in the referendum, of as many as 1,495,000 voters! There is no answer as to where they came from, and whether that difference is a genuine one or not. What is even more disturbing is the fact that it is not known whether they voted once or several times.

There is no more appropriate word for this situation than chaos! It can be corrected only by auditing the existing electoral lists. That is neither simple nor cheap. It is necessary, however, if one wants valid elections to be held. Without it, it will not be known how many voters should be added and how many should be deleted from the electoral lists. It is claimed that a year is needed just for an audit like that.

The law on electoral districts is associated with the electoral lists. It is determined by the choice of an electoral model, and is closely linked to the law on local self-government and the territorial division of the republic. So far, no one wants to step in these "thorns" either.

These are problems that are knocking on the door, and which the authors give a very clear warning about in the working text of the law. It is amazing that there has been no reaction to that warning, even through inertia, either from the government or from parliament. Actually, the warnings, at least for now, are only being listened to, but not accepted. Everyone has been told clearly that it is a

complicated and difficult task, and that for the electoral law alone a process that will last at least half a year is inevitable, but in spite of that, so far nothing concrete has resulted from the preparation of this regulation.

Some people are inclined to associate this "nonchalance" on the part of the authorities with underestimation of the subject of elections. It seems that there is an awareness of the complexity and sensitivity of the problem. Room is immediately left for retreat, however; perhaps some other concept is hidden behind this, or perhaps they have another thought in mind—voting however they vote, perhaps even in the old way, and what will be, will be! It is not even necessary to state that this is absurd in and of itself, since in that case we would get elections that will not mean anything and that can be disputed at any time.

Another idea present in the circles of experts on this subject is also interesting. It proceeds from the position that the representatives of the authorities do not favor or want either early or regular elections. It is just a game—extending the mandate. The cause is the launching of an initiative to change the republic's constitution. The reasons? As many as you like. Since the constitution itself has many vague provisions, there is also a concrete initiative for this from the PDP-NDP [Party of Democratic Prosperity-National Democratic Party]. The prediction goes even further—that initiative can be expected to be completed this year or the beginning of next year. The procedure, once it starts, would last at least a year. That will inevitably also mean extending the mandate! And thus our summary: If one judges by the objective facts, there is indisputably no time to wait—naturally, unless the current authorities think otherwise!

[Box, p 6]

#### Number of Deputies

An issue over which big debates are likewise expected and which will therefore require a rather long time is the number of deputies in the Assembly. The constitution does not specify this, and instead gives a flexible framework of 120 to 140. It is claimed that the polemics will not be so much over the number itself, or over the dilemma of whether this issue will be regulated by a separate law or the electoral law, but most of all over the procedure for adopting the law, i.e., whether it is to be adopted by a simple or two-thirds' majority. There is an opinion that since the determination of the number of deputies is a constitutional topic, the law should be adopted by a two-thirds' majority.

[Box, p 6]

#### Funds

The tentative bill for holding the regular elections consists of about 2,800,000 denars. It was reached on the basis of the expenses of holding additional elections for three deputies' seats in Strumica, Gazi Baba, and the Center, in which about 70,000 denars were spent.

[Box, p 7]

#### Model—Districts

According to the majority principle, the electoral districts are formed for the area of one municipality or for part of the area of a municipality, and one deputy is elected in every electoral district. According to the proportional model, however, the electoral districts are formed for areas of two or more municipalities, and the number of deputies elected in the individual electoral districts is determined by a law (an act of the Assembly) on their formation. An alternative is possible: one electoral unit for the entire territory of the republic. The authors of the text prefer the combined electoral principle, considering it more equitable. According to them, it is precisely this concept that allows correcting the results of applying the majority system on an individual basis. It would equalize the number of voters in the electoral districts, and create possibilities for deputies to be gained by parties or nationalities that do not live in a concentrated area anywhere in the republic. In a word, it would allow correcting injustices on both a party and a national basis, and then the will of the voters in the entire republic would be expressed more realistically.

#### \* Presidential Qualifications, Election Procedures

93BA1184A Skopje NOVA MAKEDONIJA in  
Macedonian 14 Jun 93 p 3

[Article by L. Kitanovska: "How Should the President of Macedonia Be Elected?"]

[Text] *The working text of the law still has not been accepted for consideration, but the persistence of the citizens without a party affiliation and the seriousness of the issues that they are raising deserve attention.*

The next parliamentary and presidential elections in Macedonia, regardless of whether they are called eventual, possible, early, or regular, and even, through elaborate theses, late, i.e., missing the deadline when they necessarily should be held, are constantly deluging the public. After offering a version of a Law on Electing Deputies to the Macedonian Assembly, the citizens are now appearing again with the proposed text of a law on electing the president of Macedonia. These are a group of citizens without a party affiliation, legal experts, who, regardless of the fate of the previously submitted text (it has not yet been considered by the government), also drafted a second law, which is slowly starting to complete the subject and take away from the authorities their "strongest" argument, that the issue of the elections should not be raised until the laws according to which they will be held are prepared and adopted.

#### Age Limit Established

So far, only two political parties, the SDSM [Social Democratic Alliance of Macedonia] and VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National

Unity], have presented initiatives, even specific ones, although unfortunately parochial, for the preparation and drafting of electoral laws.

The only tangible document in this area, however, remains the one from the citizens' group. The working text contains 43 articles, and an addendum of 15 pages contains an explanation of it. Now this subject matter is regulated by the 1990 law based on amendment 75 to the 1974 constitution. The office of president of the republic was established by it for the first time. The president was elected at the proposal of at least 30 deputies, by a two-thirds' majority of the votes of all deputies, but the conditions and method of his election established by this law are not consistent with the new constitution, and consequently a new law is needed. The aim of the law is for the president to be elected in general, direct elections by secret ballot, at the proposal of at least 10,000 voters or at least 30 deputies.

Also specified is the criterion that the individual who is a candidate must have been a resident of the republic for at least 10 years in the last 15 years, and one detail is also added—that he must have a general right to vote and residence on the territory of the Republic of Macedonia. This was done for the reason that if the candidate is a citizen, that does not automatically mean that he has a general right to vote. Otherwise, the condition that he has lived on this territory for at least 10 years does not have to mean that he has a residence in Macedonia at the moment of the elections. Furthermore, another innovation is the establishment of an upper age limit. The candidate can be at least 40, but at most 70 years old. The condition that he must be in good psychological and physical health was not acceptable to the law's preparers, since it is not clear what that means, or why it should be required only for the president and not for other officials as well.

#### Specified Deadlines

Next comes a specification of the deadlines. It is thus proposed that at least 30 days but not more than 60 must pass between the day that the elections are scheduled and the day that they are held, while in the case of early elections or as a result of termination of the president's mandate before the period for which he was elected, it would be no less than 20 and no more than 40 days.

In the event that a candidate is proposed at the citizens' initiative, a precisely defined and thoroughly organized method of gathering that minimum of 10,000 signatures is proposed (the organizers, forms, etc.). A special chapter in the proposed text covers the presentation of programs and presidential candidates. Above all, this establishes the right to appear and organize election campaigns under equal conditions.

The issue of the means of proving the right to vote is singled out as extremely important. Solutions are proposed—only citizens who are entered in the lists of voters have the right to vote, and the right to vote can be proven by personal identification. It is precisely for this

reason that the text's preparers foresee problems unless the process of determining citizenship is completed before elections are held. Prior definition of the concepts of "emigrant" and "citizen temporarily working abroad" is required—all in all, very important issues, which should be taken seriously (if the elections are, of course).

#### \* Social Democratic Alliance Holds Annual Conference

93BA1230A Skopje NOVA MAKEDONIJA in  
Macedonian 28 Jun 93 p 2

[Article by J. Mironski: "Bearers of Most of the Responsibility"]

[Text] *The SDSM [Social Democratic Alliance of Macedonia] is the main protagonist in the governmental coalition and, with it, the bearer of the greatest share of the responsibility for the condition of the state. Greater contacts are needed between the Central Committee Chairmanship and the township branches. The party has introduced the functions of deputy chairman and party secretary.*

Yesterday, the Social Democratic Alliance of Macedonia held its annual conference at which Chairman Branko Crvenkovski delivered an introductory speech; the draft program for the work of the party as bearer of responsibility for the government was considered; some bylaws were amended. It was decided at the end of the first session to agree on the number of deputy chairmen to be elected and to elect a party secretary; the list of additional Central Committee members was adopted.

In discussing the past year's activities, Branko Crvenkovski stressed that the main difference is that a year ago the SDSM was an opposition party whereas today it is the principal member of the governmental coalition. As such, it also carries the biggest share of the responsibility for the condition of the state. "Considering the situation, this was the worst time for assuming the power and responsibility for the situation. According to some people, this was also the best way to commit political suicide. At that time the biggest parliamentary party most deliberately became the opposition, considering that this was the perfect time for sitting on the side and criticizing, for there is always something to criticize in such difficult times."

In analyzing the positive accomplishments of this party, Crvenkovski said: "We can openly say that it was precisely under this government, a government backed by the SDSM, that the Republic of Macedonia became a member of the United Nations. I do not wish to rate accomplishments, but this was the most important act for Macedonia and the Macedonian people. It was during that period that the process of bilateral recognition of Macedonia was dynamized. A great percentage of the European countries recognized it, and a good portion of them established diplomatic relations with us, while others are about to do so."

Without a firm anti-inflationary program and the use of some shock therapy, Crvenkovski said, we eliminated the danger of hyperinflation, at least for that time. In the matter of intensifying the reforms of the economic system, a good portion of the laws have already been passed, Crvenkovski stressed, asking why the SDSM was unable to accomplish all or at least most of it. Naturally, he stressed, a large number of the existing laws in the economic area are still to be passed and without them we cannot develop an integral economic and legal system.

Addressing what will be our priority in the forthcoming period, Crvenkovski said that "if we speak of problems in foreign policy, it is entirely clear: most important are the talks with Greece, above all because we are interested in developing good relations with all our neighbors, including Greece, for our border with our southern neighbor is actually our border with the European community. We are greatly interested in reaching an agreement with the Republic of Greece but not at the cost of losing our national identity and dignity." Crvenkovski said that the risk of war still exists. Therefore, our safety rests in the collective security systems.

The discussion which followed the speech by the party's chairman included most remarks on the work of the party by representatives of the township branches, who indicated the need for closer contacts among the chairman's office, the Central Committee, and the township memberships. It was repeatedly stated that the chairman's office was looking exclusively after its own interests. Numerous remarks were addressed regarding the list of candidates for Central Committee members. Some members noted that one does not find in this league the name of anyone who would like to resign as minister. There was disagreement with the names on the list, with claims that some individuals had been included in it exclusively for the sake of their own political interests, without even being party members, or else not even having voted for the party. The arguments in favor were that we are after high-quality individuals regardless of where they come from; remarks were also made that most candidates were from Skopje while the townships were once again left behind.

[Box, p 2]

#### Membership in the Socialist International Supported

Senator Darko Bratina and Roberto Cuilo, representatives of the Italian Party of the Democratic Left, visited Skopje as guests of the SDSM.

In the course of their stay they held meetings with Chairman Branko Crvenkovski and the other members of the party leadership. They exchanged information on various aspects of Macedonia's economic, political, and security situation. This was stressed at yesterday's press conference. It was said that they will support the request of the SDSM for membership in the Socialist International.

**\* Social Democratic Alliance Elects Central Council**

*93BA1230B Skopje NOVA MAKEDONIJA in Macedonian 30 Jun 93 p 4*

[Article by E.S.: "Twenty-Four Members Added to the Central Committee"]

[Text] Despite some remarks, at its Sunday annual conference the Social Democratic Alliance of Macedonia adopted the list of the expanded membership of the Central Committee from enterprises. Here are 24 new members.

Members of the committee now include:

- Venko Andonovski, assistant professor, Philology Faculty, Skopje.
- Petre Bakevski, director of the Detska Radost enterprise.
- Ignat Bogdanovski, director of the Stomatological Clinics in Skopje.
- Ubavka Bojadzieva, economist, Zelezarnica enterprise.
- Vanja Bojkov, director of Maktrans.
- Atanas Vangelov, dean of the Philology Faculty.
- Ane Vasilevski, cartoonist.
- Vanco Georgiev, director of the private enterprise Delikates, Kocani.
- Aleksandar Gestakovski, representative from Resen.
- Projko Despotovski, director of Beton.

Other new members of the Central Committee of the SDSM [Social Democratic Alliance of Macedonia] are:

- Efto Gurcinovski, principal of the Tence Deanoski OU [Primary School] in Mavrovi Anovi.
- Risto Elenov, director of the Agropirin private enterprise in Skopje.
- Petar Ilievski, general director of Zito-Bitola.
- Ilija Iljovski, general director of the EMO [Ohrid Electric Power Installation enterprise], Ohrid.
- Zoran Jovanov, economist, Gevgelija.
- Vanco Karanfilov, owner of the private bookstore Tabernakul.
- Zlatan Mitev, director of Jaka, Radovis.
- Saso Nasev, playwright.
- Ljupco Panovski, professor, Electrical Engineering Faculty, Skopje.

—Tito Petkovski, deputy chairman, Macedonian National Assembly.

—Nano Ruzin, professor, law school.

—Natje Stojanovski, representative, Demir Hisar.

—Zoran Tenelkovski, owner of the private enterprise Inospektar.

—Ilija Dzonov, dean, medical school, Skopje.

With the addition of the 24 new members, the now expanded SDSM Central Committee has 79 members. Four of the older 59 members were relieved from their position because of other duties or withdrawal from politics.

**\* VMRO-DPMNE, MAAK Cooperate on Early Election Issue**

*93BA1230E Skopje NOVA MAKEDONIJA in Macedonian 22 Jun 93 p 4*

[Article by P. Dzambazoski: "This Is Not the Time for Collecting Signatures"]

[Text] MAAK [Movement for All-Macedonian Action] has collected the necessary number of signatures, but we shall determine when it will be suitable for such signatures to be submitted, Ante Popovski said. The VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] helped with the organization of the collection, but what will be the future of these signatures and whether the necessary number has been collected I cannot say, for this is a MAAK initiative, Ljupco Georgievski says.

By the end of last year, as a political party exercising its constitutional right, MAAK launched an initiative of collecting 150,000 signatures of citizens favoring new parliamentary elections. We witnessed the efforts of the activists of that party who, knocking at doors, recording in their notebooks proof of the signatures, carried out this initiative. Later, bearing in mind the tremendous difficulty of gathering such a large number of signatures, they were helped by the VMRO-DPMNE activists.

A great deal of time has passed since and no specific answer was given as to whether the necessary number of signatures was collected and if yes, why were they not submitted to the Assembly of the Republic of Macedonia. Views have also been expressed (some of them already described in our newspaper by constitutional experts) according to which the signatures are invalid, for they were not collected on the basis of electoral districts, from citizens with the right to vote, and in accordance with all the other rules and regulations, as is the case when regular elections are being held.

According to Ante Popovski, the leader of MAAK, MAAK collected the necessary 150,000 signatures. However, the situation today is not what it was when we undertook this major project. To begin with, at this time

this could contribute to the destabilization of the state and public order, while the interest of all political parties without exception is to remain in power. Both the ruling parties and the opposition in parliament are united by the idea of protecting their positions.

The existing situation here, Popovski went on to say, is not suitable for submitting the signatures. However, this does not mean that once we determine that this has to be done, that they will not be submitted to the Assembly. The state apparatus (the police) and representatives of parliamentary parties, without exception, were "included" in the collection of the signatures.

Popovski said the following about the contribution of the VMRO-DPMNE to the collecting of signatures: They joined and then withdrew from this project. Some of the materials they kept for themselves. Nonetheless, MAAK intensified its work and collected the necessary number of signatures.

Finally, Popovski commented on the initiative of the Council of Trade Unions, noting that the council had been opposed to new elections but that now it was perhaps a question of political manipulation and threatening the authorities, and that now it could cooperate in synchronizing activities with some political parties.

Ljupco Georgievski, chairman of the VMRO-DPMNE, told us that the party clearly supports the MAAK initiative and that wherever the gathering of signatures was organized, the VMRO-DPMNE members and sympathizers were encouraged to sign.

"I believe that all our members signed the petition. Whenever MAAK could not organize the collection of signatures, our members took over. I note this for a fact, but as to how many signatures and whether the necessary 150,000 were collected, as well as what will their fate be, I cannot answer, for the simple reason that this is a MAAK initiative and it is not our job to deliver the signatures," Georgievski said.

He said that he could not answer the question of whether the method for collecting the signatures was in accordance with the law but that he did not see, if the necessary number of signatures had been collected, that there were some statutory or legal violations. In this case the feelings of the people are clear.

Georgievski assesses the latest initiative of the trade unions as not being politically sustained. He personally believes that the trade unions would like to impose their will politically but, in any case, if those 150,000 signatures have been collected he thinks only that the time for new elections has come. Unfortunately, during the summer they cannot take place, for autumn is the ideal time.

### \* Reformist Forces-Liberal Party Holds Conference

93BA1230C Skopje NOVA MAKEDONIJA in  
Macedonian 4 Jul 93 p 3

[Article by Panta Dzambazoski: "The Liberals Are a Significant Factor in Social Changes"]

[Text] *All the positive accomplishments of Macedonia would not have been possible without the efforts of a party that has frequently played a crucial role in the preservation of the peace, the victory of the liberal democratic option, and the strengthening of the state abroad, Stojan Andov, the party's chairman, stressed in his report.*

Under the slogan of "with us, those who are capable succeed," yesterday the Reformist Forces of Macedonia-Liberal Party held its annual meeting at which it was resolved to change the party's name to Liberal Party of Macedonia. The party's symbol was adopted, consisting of two blue lines shaped as the Cyrillic letter "L" and two parallel lines against a white background inside a yellow-blue frame.

Guests to the party's meeting were diplomatic representatives of Italy, Slovenia, and Turkey in Macedonia. Greetings were presented by Dominique Nate, general secretary of the group of liberal, democratic, and reformist parties in the European Parliament. He stressed that for the past two years the European liberals have consistently taken the side of the Republic of Macedonia, supporting the international recognition of the country, a state that, as he said, is pursuing a policy of peace and coexistence. He presented greetings on behalf of Wili de Klerk, chairman of the Federation of Liberal, Democratic, and Reformist Parties of Europe. The meeting was also attended and greeted by Jozse Skoljc, head of the parliamentary group of the Liberal Party in Slovenia.

Party Deputy Chairman Risto Ivanov presided. A report on the party activities and its objectives and tasks was submitted by Chairman Stojan Andov.

In his speech, Andov mentioned first that the party went through a period of great changes and transformations but also a period of great misfortunes that happened in the immediate vicinity of our country. The establishment of a civil society developed through the Yugoslav crisis, in the course of which the Republic of Macedonia chose the path of peace, rejecting war as a means of resolving any problem whatsoever. This way, Andov stressed, we essentially preserved the economic organism and achieved a significant degree of tolerance in inter-ethnic relations. The civil and law-governed state is developing. Andov said that the Republic of Macedonia has been recognized as an independent state by a large number of countries, that its travel documents have been accepted, with few exceptions, and that it is a member of the United Nations and has the status of observer in the Council of Europe; it is member of the International Monetary Fund and the European Development Bank. It

is expected that Macedonia will soon become a member of the KEBS [European Security and Cooperation Conference], the World Bank, and the GATT [General Agreement on Tariffs and Trade]; talks are being held and steps planned to promote reciprocal trust with the Republic of Greece.

All the positive accomplishments in the development of the country would not have been possible without our party's activities, Andov stressed. The party played an important and frequently crucial role in converting from socialism to a civil society. It played a crucial role in the preservation of the peace, the victory of the option of the liberal democracy, and the assertion of our state abroad. According to Andov, this was due to the struggle in parliament and in public and political life and participation in the government.

He stressed that the main tasks of the party were to strengthen and hasten the implementation of the comprehensive democratic program. This will make possible our transformation and restructuring in the economic area, complete the international recognition of the state, and consolidate our international situation. In his view, this implies revising a large number of laws, ratifying the more important international acts, pacts, and other documents, and enacting the mechanism of human rights and civil freedoms. Our tasks, however, Andov stressed, must be implemented at a time when some political subjects are displaying an obsolete concept of democracy, which they base on social or national collectivism—nationalism.

Our party does not agree with the belief that public property is the best foundation for social justice and that its conversion is the same as plunder. That is why it is especially important to pass laws that will define the areas of labor and ownership. Another option, specifically expressed through Albanian and Macedonian nationalism, threatens the development of democracy, not to mention the fact that the demand of the Albanians to implement the rights stipulated in the Constitution and the international conventions raise the issue of nationalism. However, some Albanian circles, Andov stressed, also formulate dangerous and unacceptable demands that are part of the "Greater Albania" scheme. I do not speak of the sincere national feelings of the Macedonians, for the existence of Macedonia in its entire variety is in the national interest, he said.

It is necessary, Andov said, to settle relations with our diaspora, to determine what is its role and what is the role of the state. The existence abroad of political parties founded in our state conflict with the national interests and allows for an undemocratic and conspiratorial way of acting. Also damaging is the insistence of some representatives and politicians to present themselves abroad as leaders of the Macedonians, while pursuing their own private interests.

Party Chairman Andov then discussed the party views on the organization of economic relations.

The presence of foreign forces and the arrival of American troops was assessed by him as necessary, for this is in order to discourage an eventual aggressor. Andov also positively assessed Macedonian foreign policy, particularly since Stevo Crvenkovski became minister. He stressed that the party has suggested that Stevo Crvenkovski be appointed minister of foreign affairs and that Risto Ivanov, the party deputy chairman, be made deputy prime minister.

The party's programmatic tasks and objectives were approved in the course of the debates which followed. Then the resolutions at the meeting were unanimously adopted along with the bylaws and the foundations for a party program between elections.

It was reported that the party has been joined by noted Macedonian businessmen abroad: Risto Gusterov, Atanas Banjanski, and Stojan Dimov.

At a special session of the Republic committee, Risto Ivanov, Stevo Crvenkovski, and Risto Gusterov were elected party deputy chairmen; Ace Kocovski was elected secretary.

#### \* Background, Goals of League of Vlachs

93BA1184C Skopje PULS in Macedonian  
18 Jun 93 p 2

[Unattributed article: "Mitko Kostov"]

[Text] A few days ago the daily press carried information from a press conference of the League of Vlachs of Macedonia that the Vlachs would soon form a national political party and a world congress. In that regard Mitko Kostov, the League's president, stated especially for PULS:

"The League of Vlachs of Macedonia has been working and operating since December 1990. The basic goal in the League's program is to raise the Vlach ethnic group in Macedonia culturally, and to preserve the language, traditions, and history of the Vlachs. It is well known that until 1945 religious services in churches were conducted in the Vlach language, and we had schools, an academy, etc. In any case, the League has about 3,000 members, even though in the last census, 8,200 Macedonian citizens stated that they felt themselves to be Vlachs. According to our information, that number is larger. I will cite you one example. In the settlement of Kisela Voda, where I live, somewhere from the town of Rampa and then up to the last bus stop on line 24, I am quite certain that there are about 8,000 Vlachs somewhere. In any case, the International League of Vlachs has already been active for a year. It was formed in Kicevo in August 1992. Our intention is to be wherever there are Vlachs. For example, to unite them just in Greece, where according to our free estimate there are about 2 million. In Serbia, Bulgaria, and Romania they do not have any rights, nor schools, nor a press. At the world congress of Vlachs that we will organize, probably with its headquarters in Bitola, we will advocate cultural



unification. We hope that representatives of our associations in overseas countries, in Canada, Australia, and America, will also come."

**\* Formation of Liberal-Democratic Center Announced**

*93BA1230D Skopje NOVA MAKEDONIJA in Macedonian 22 Jun 93 p 4*

[Initiative of the Civil-Liberal Party of Macedonia: "Establishment of a Liberal-Democratic Center"]

[Text] With a view to making a full contribution to the development of a pluralistic political system in the Republic of Macedonia, the Civil-Liberal Party of Macedonia informed in yesterday's public announcement all political parties that it is launching an initiative for the establishment of a Liberal-Democratic Center, as a political association of the parties of the center. The need for unification and joint action by the parties leaning toward the center, the announcement states, is due above all to the increased political quarrels between left-wing and right-wing parties, particularly in parliament. This threatens to violate the fundamental principles of parliamentary democracy and endangers the stability of the Republic's political system. The starting point for bringing this initiative to life is the declaration of the Liberal-Democratic Center, submitted to the political parties on the Macedonian political stage, who are called upon actively to participate in the implementation of this initiative.

**\* Circulation, Audience for New SDSM Monthly**

*93BA1184D Skopje NOVA MAKEDONIJA in Macedonian 9 Jun 93 p 4*

[Article by L. K.: "First Issue of DEMOKRATIJA Promoted"]

[Text] As of yesterday, our news world has been enriched by one more publication. At the offices of the Social Democratic Alliance of Macedonia [SDSM], the first issue of this party's newspaper DEMOKRATIJA was promoted; at first, it will be issued as a monthly, with plans for it to appear more often soon. As stated by party secretary Nikola Popovski, this is one of the biggest events for the SDSM, especially since its goal is not to compete with the other newspapers in Macedonia, but rather, on the contrary, to make a contribution to the fulfillment of democracy in our country. Before a considerable number of participants and guests, the newspaper was presented by Vladimir Milcin, chairman of the Publication Council. He said that DEMOKRATIJA's main function would be to help to foster a new plant in this region, which is arbitrarily called the democratic option. Since democracy is impossible without information, the newspaper will help the party to fight for it in a suitable way.

The circulation of DEMOKRATIJA is 5,000 copies, and three elements are being distinguished in its content. The first is for the party's members and sympathizers, the second is for the broader Macedonian public, and the third, in English, is appearing as a political factor for readers outside of Macedonia. DEMOKRATIJA's joining the family of news publications was also welcomed by Prime Minister Branko Crvenkovski.



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